

TRANSCRIPT OF PROCEEDINGS

In the Matter of:)
)
FIRST-CLASS PACKAGE SERVICE) Docket No. N2021-2
(FCPS) SERVICE STANDARD)
CHANGES, 2021)
)

Written Cross Examination Materials Designated for the
Record Pursuant to Presiding Officer Rulings N2021-2/5 and
N2021-2/7

Pages: 1 through 221

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POSTAL REGULATORY COMMISSION

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FIRST-CLASS PACKAGE SERVICE) Docket No. N2021-2
(FCPS) SERVICE STANDARD)
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I N D E X

DOCUMENTS TRANSCRIBED INTO THE RECORD

PAGE

Written Cross Examination Materials Designated for the
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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
HAGENSTEIN TO INTERVENOR AMERICAN POSTAL WORKERS
UNION, AFL/CIO'S INTERROGATORIES**

APWU/USPS-T-1/1

Please refer to page iii, footnote 2 of your testimony where you note that “changes to First-Class Package service standards would also incidentally affect international mail service standards for small packets and bulky letters...” Please explain in detail how international mail will be affected, including providing the past volume and revenue associated with the packets and letters expected to be impacted for FY2017, FY2018, and FY2019.

RESPONSE:

International mail pieces that travel within the domestic portion of their handling in the same processing and transportation flows as FCPS will be affected by any operational changes that affect FCPS. As noted in the footnote from USPS-T-1 quoted in the question, those will be the pieces of the same general shape as FCPS (*i.e.*, small packets and bulky letters). If the FCPS service standard for the relevant origin-destination pair were adjusted up or down under this proposal, a corresponding change would be made in the applicable service standard for similarly-handled international mail pieces. The Postal Service has not specifically analyzed the volumes of international mail pieces that flowed through affected O-D pairs in any given year, but they would represent only a fraction of affected FCPS volumes. To give an idea of the overall universe of pieces that could most likely have been affected, without attempting to distinguish those traveling between unaffected O-D pairs from those traveling between affected O-D pairs, the overall total volumes and revenues for FY2017 – FY2019 for the most relevant international categories – Inbound Intl Letter Post (Format E), Inbound Intl NSA Mail, and Outbound FCPIS (NSA and Non-NSA) – are provided under seal in USPS-LR-N2021-2-NP14. It is important to note, however, that past volumes for Format E do not account for precipitous increases in terminal dues rates for E format

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items that entered into force on July 1, 2020, with the Geneva Protocol to the Universal Postal Convention. Volumes of E format items have been impacted by those substantial rate increases.

The table below aggregates the revenue and volume by year for the previously described international categories (disaggregated figures that sum to these totals are broken out in the corresponding nonpublic table in USPS-LR-N2021-2-NP14):

**Previous (FY 2017 – FY 2019) Revenues and Volumes for International
Categories that Could Potentially be Impacted by Proposed FCPS Service
Standard Change**

Service Category	FY2017		FY2018		FY2019	
	Revenue (\$000)	Pieces (000)	Revenue (\$000)	Pieces (000)	Revenue (\$000)	Pieces (000)
Total International	\$ 1,074,093	502,267	\$ 1,131,525	503,522	\$ 1,082,277	456,064

Sources: USPS-FY19-NP9A & USPS-FY17-FY19-NP2

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APWU/USPS-T-1/2

Please refer to page 2 of your testimony where you state that both air and surface transportation experience delays and schedule alterations.

- a. Quantify for each of the past five years the percentage of mail volume transported by air that experienced delays and the percentage of mail volume transported by surface transportation that experienced delays.
- b. Describe what percentage of all mail volume is transported by both surface and air transportation.
- c. Explain whether surface transportation experiences weather delays and whether, where, and how this is captured in performance data.

RESPONSE:

2.a. Please see 'APWU-1 Q2a - FCP Air_Surf Scores Trend_NP.xlsx' provided under seal in USPS-LR-N2021-2-NP14 for service performance data by month for FCPS segregated by air and surface transportation modes. Data are only available from October 2018 through present.

2.b. Based on the pair volumes used in the model and the mode matrix as of 7/25/2021, 0.47 percent of FCM letters and flats volume is in lanes that change mode at least once per week. See also response provided under seal in USPS-LR-N2021-2-NP14.

2.c. Surface transportation experiences weather delays. This is indicated in Surface Visibility (SV) as a trip delay or omission due to inclement weather. The weather delays are not directly associated with the SV trip information.

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APWU/USPS-T-1/3

Please refer to page 3 of your testimony where you describe the touch points for surface and air transportation. Explain the significance or relevance of "touch points" to service standards and performance.

RESPONSE:

The greater number of touch points are an indication of complexity and points of potential failure.

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APWU/USPS-T-1/4

Please refer to page 3, footnote 6 of your testimony where you note an “increased challenge with respect to driver shortages/availability or motor vehicle accidents.” Describe both the nature of and numbers associated with the current challenges with driver availability and accidents that you anticipate will not be impacted by or aggravated by the FCPS service standard changes.

RESPONSE:

For clarity, the text of the testimony to which the footnote refers states:

“Moreover, through improved surface transportation capacity utilization and consolidation, we expect to require fewer surface transportation trips over a given period than we currently require.” The subject footnote 6 goes on to state: “As a result, we do not anticipate increased challenges with respect to driver shortages/availability or motor vehicle accidents.” The ability to reduce network mileage and trips by increasing routing efficiencies attributed to the proposed service standard change provides a measure of mitigation against market conditions in the trucking industry. Although HCR suppliers are having difficulty retaining and hiring drivers, the Postal Service intends to use contract surface transportation more efficiently, and thus use fewer trips; fewer trips in turn imply fewer impacts caused by driver shortages or accidents. HCR accidents are not tracked.

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APWU/USPS-T-1/5

Please refer to page 4, lines 5 to 7 of your testimony where you comment on possible reductions in air charters.

- a. Describe the process, including when and how, by which the Postal Service will determine the lanes that will be shifted from air to surface transportation.
- b. For lanes that are not shifted to surface transportation, describe whether the Postal Service anticipates meeting the current service standards for FCPS in those lanes that remain on air transportation.

RESPONSE:

5.a. Each air lane will be evaluated to determine if routings can be created on existing transportation. If shifting from air to surface requires additional transportation, the estimated cost of the added transportation will be evaluated against the estimated cost of continuing to assign the volume to the air network. This evaluation process is currently underway.

5.b. The Postal Service anticipates a significant portion of volume that remains in the air network will be advanced at destination due to the reduced transit time versus available transit window.

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APWU/USPS-T-1/6

Please refer to page 4, lines 20-21, of your testimony where you comment on the coast-to-coast First-Class surface network that the Postal Service is establishing.

- a. Describe the components and nature of this surface network including what, if any, parts of the network are new, the status of its establishment and when it is expected to be fully established, and the costs anticipated in establishing this network.
- b. What percentage of total First-Class mail volume moving or that will move through this surface network consists of FCPS?

RESPONSE:

6.a. The surface network will evolve after the service standard change is implemented. Volumes will be massed at origin STCs and transported to destination STCs. In some cases, multiple destinations will be grouped at origin P&DCs to build full loads to a central STC transfer location. The central STC will build full loads to the destination P&DCs and avoid the dual transfer. The planning and evaluation is currently in process.

6.b. See response provided under seal in USPS-LR-N2021-2-NP14.

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APWU/USPS-T-1/7

Is what the Postal Service characterizes as its poor performance for FCPS due entirely to delays from using air transportation, and if not, what other factors have contributed to the poor performance?

RESPONSE:

Not all delays and impact to FCPS performance are due to the air network.

Other delays include: delays due to package processing capacity constraints, missorted and mis-sent volumes, first and last-mile delays, processing errors, and surface transit delays.

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APWU/USPS-T-1/8

Please refer to page 14, line 15-16, of your testimony where you state that "...FCPS within the contiguous United States must often fly in order to meet the current service standards." Explain and quantify what you mean by "must often."

RESPONSE:

A percent of FCPS is currently assigned to the air network to arrive prior to the destination CET, or in some cases because the volume is insufficient to justify surface transportation. The latest FCPS is expected to arrive at destination is 20:00 on Day-2. Volume departing origin at 04:00 on Day-1 has a maximum transit window of approximately 40 hours, or 1,860 miles. Accounting for an estimated transfer time to route through an STC and the distance drops to 1,581 miles. See also response provided under seal in USPS-LR-N2021-2-NP14.

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APWU/USPS-T-1/9

Please refer to page 15 of your testimony where you note the improvement to performance expected to occur as a result of this service standard change. If the only service standard change implemented by the Postal Service was to expand the two-day business rule from six hours to eight hours, what, if any, additional resources from those currently being used would be required to raise performance to meet the current service standards along with the changed business rule?

RESPONSE:

To achieve improved performance, additional sort capacity would be required and improved sort accuracy. The processing window would need to be reduced to increase the transportation window. Additional facility space would be required to accommodate the added sortation equipment. It is estimated that between 50 and 100 additional package sorting machines would be needed to be able to achieve the current package operating plan. Limitations in the air network may prevent achieving prior demonstrated performance, regardless of processing capacity. The Postal Service does not have estimated costs needed to improve service capability beyond performance previously demonstrated.

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APWU/USPS-T-1/10

Please explain your testimony on page 17 that early dispatches lead to operational plan failures and missed service standard targets.

RESPONSE:

Early dispatches reduce the available processing window. As package volumes have increased, it has become increasingly difficult to finalize processing prior to early dispatches, leading to operational plan failures, or failure to clear the volume prior to the scheduled dispatches. Dispatching a trip before processing finalizes will leave volume behind, leading to service failures and extra trips.

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APWU/USPS-T-1/11

Please explain your testimony on page 17-18 describing how and what kind of workhours are reduced by reducing airline assignments and associated handling at origins.

RESPONSE:

Reducing assignment workload reduces handling and workhours to assign and sort the sacks into the air separations at origin. Reduction in sacked volumes reduces the machine sweeping activity and handling at the machines and sack racks. Expected workhour reduction due to this operational change is not available.

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APWU/USPS-T-1/12

Please refer to page 38 of your testimony where you testify on the impact the service standard changes will have on "pharmaceutical volume." Explain the nature of the specific anticipated impact on the 22 percent of pharmaceutical volume that is not upgraded or will otherwise remain unaffected by the service standard changes.

RESPONSE:

The 22 percent figure posed in this question appears to be premised on the version of my testimony originally filed with the case. Referring instead to the revised version of page 38 filed on July 2, 2021, the correct corresponding figure would be only 16 percent. The nature of these pharmaceuticals will follow a similar downgrade structure as all FCPS. See also response provided under seal in USPS-LR-N2021-2-NP14.

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APWU/USPS-T-1/13

Please refer to page 39 of your testimony where you comment on the impact of the service standard changes on air transportation suppliers. Describe how long it will take to amend or terminate contracts with air transportation suppliers to account for reduced mail volume being transported by air, and whether there are any costs associated with amending or terminating those contracts.

RESPONSE:

The Postal Service is not anticipating having to amend or terminate air cargo supplier contracts. The operating period plans will be adjusted, and it is anticipated that minimum volume requirements will still be met, where applicable.

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APWU/USPS-T-1/16

Please refer to page 5 of your testimony where you discuss the special expenses of transporting FCPS between the continental US and Alaska, Hawaii, and offshore territories. Explain whether the Postal Service has considered requesting appropriated funds in accordance with 39 U.S.C. § 2401 to cover these special expenses.

RESPONSE:

I am not aware that any such request has been considered.

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(REDIRECTED FROM WITNESS FOTI)**

4. Please refer to USPS-T-3 at 6. The Postal Service explains that it aims “to achieve 95 percent on-time reliability and improve the current reach of 2-day volumes, which aligns with the key customer demand driver of reliable, consistent, on-time delivery, and the importance of regional delivery in today’s marketplace.”
- a. Please state whether the Postal Service prepared a study or impact analysis that confirms that it will meet or exceed a service performance target of 95 percent on-time delivery.
 - b. Please compare and contrast the process used to develop the initial service performance targets for FCPS with the process used to determine the abovementioned expected target of 95 percent on-time delivery.
 - c. Please identify and describe the steps that the Postal Service will take to ensure that the target of 95 percent on-time delivery is met or exceeded.

RESPONSE:

- a. Actual days to deliver performance metrics were reviewed to determine the target. Based on the proposed service standard changes, plus the changes currently in process to hire additional staffing, install additional mail processing equipment, and acquire additional facility space for both logistics and mail processing operations, a 95 percent target for on-time performance was selected. The Postal Service did not prepare a study or impact analysis confirming it will meet or exceed a service performance target of 95 percent on-time delivery.
- b. In prior years, legacy service performance targets were maintained unless the performance demonstrated capability of surpassing the target. Each year, the service performance for each category was compiled at the District and Area-level to determine the median performance. If the median performance surpassed the target, the target was increased by 0.01 points. If the median performance was not at target, the target remained the same. Proposed changes to the targets were presented to the Executive Leadership Team (ELT) for approval.

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c. In order to continue providing reliable service, the Postal Service has addressed capacity issues by acquiring additional space in 46 locations to accommodate package growth. The Postal Service also purchased 138 additional package sorting machines this year and added over 14,000 permanent positions to its workforce. This will allow it to handle additional package volume in the processing and delivery network. The increased space and fluidity for packages will free up needed space for drop shipments.

Similar to what the Postal Service successfully accomplished prior to the pandemic, the Postal Service continues its daily review and analysis of service failures. The analysis allows it to promptly address root causes of process failures including efficiency and opportunity to maximize machine utilization.

The Postal Service is also addressing bottlenecks in its logistics networks by contracting additional Surface Transportation Centers to increase capacity to distribute mail throughout ground networks. The Postal Service performs daily mitigation of its air networks capacity shortfall and has begun its K9 project (using canines to screen packages) to alleviate bottlenecks in moving packages through the commercial air network.

In addition, with respect to contractor failures, the Postal Service applies a five step remediation process that starts with discussion and ends with termination of contract if issues are not resolved timely.

The Postal Service will continue to monitor and address service performance issues. The added transit time window will improve capability at origin to dispatch all volumes on designated transportation and arrive at destination prior to the CET. The added transit window will reduce extra transportation running to move volumes processed outside the operating plan window and allow the absorption of some transit delays.

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7. Please refer to USPS-T-1 at 2. The Postal Service states that “current average utilization of surface transportation capacity is approximately 42 percent.”
- a. Please provide the source data and methodology underlying the current average utilization of surface transportation capacity calculation.
 - b. Please confirm that the average utilization of surface transportation capacity of 42 percent reflects surface transportation potentially used by all mail products and not exclusively FCPS.
 - i. If confirmed, please discuss all possible factors that may explain the under-utilization of surface transportation.
 - ii. If not confirmed, please discuss how surface utilization capacity is measured for FCPS.
 - c. Please confirm that trucks used for surface transportation may carry other mail products along with FCPS. If not confirmed, please explain.

RESPONSE:

- a. The source data for utilization is Surface Visibility, filtered to plant-to-plant, Highway Contract Route (HCR), outbound trips. Utilization is based on the quantity and type of containers loaded to each trip. Each container is associated with a percent load of the floor space of the trailer or truck assigned to each trip.
- b. Confirmed
 - i. The biggest constraint to reducing trips and improving utilization is based on the service standards limiting the transit windows from origin to destination. Other factors include missing scan data may cause utilization to be under-reported, and some trips are utilized for moving collection mail volumes or volumes for delivery between facilities and have time constraints that necessitate maintaining trips at particular times. The proposed service standard change will extend the transit

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window and open additional opportunities for consolidating and transferring
volumes via hubs, or through multi-stop trips.

ii. Not applicable.

c. Confirmed

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8. Please refer to USPS-T-1 at 4. The Postal Service states that “[c]harters were used in FY 2020 to mitigate the lack of commercial air capacity availability during the COVID-19 pandemic. However, given the continued high levels of network package volumes, even as commercial air capacity improves as pandemic conditions evolve, absent the proposed changes in service standards, charters would continue to be required to handle this package volume.”
- a. Please provide any and all analyses, surveys, and other information that supports the abovementioned claim.
 - b. Please provide the actual percentage of air charters used for the last 5 years prior to the COVID-19 pandemic.

RESPONSE:

- a. Please see ‘Charter Costs by Month FY20-FY21MarYTD.xlsx’, filed under seal as part of USPS-LR-N2021-2-NP5. While the details of the charts displayed therein are commercially sensitive, the broad outline is as follows. CAIR capacity decreased at the beginning of the pandemic, visible in April 2020 (blue lines). At the same time, total demand (orange lines) increased, causing a need for supplemental air capacity provided by the charters (grey lines). As CAIR capacity started returning in July, the need for charters decreased but remained above pre-COVID levels. At the time of the proposal, it was estimated that demand in the network would continue to drive the need for charters, even with CAIR capacity returning to pre-COVID levels.
- b. Shown in the table below is the actual percentage of charter use (expressed as a percentage of total air costs – excluding Alaska) for each of the five years prior to the emergence of the pandemic in FY 2020. (In

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the source notes, "XX" is used to represent years. Thus, for FY 2019, the cited information can be found in USPS-FY19-32 and USPS-FY19-2.)

FY	Charters	Total Air Costs Except Alaska (Component 142)	% Air Costs
Column	(1)	(2)	(3)=(1)/(2)
FY 2019	\$ 59,841,000	\$ 2,912,730,128	2.1%
FY 2018	\$ 95,760,112	\$ 2,751,698,843	3.5%
FY 2017	\$ 24,228,312	\$ 2,347,356,410	1.0%
FY 2016	\$ 51,183,000	\$ 2,333,845,584	2.2%
FY 2015	\$ 18,663,000	\$ 2,022,062,113	0.9%
Sources:			
(1) USPS-FYXX-32, workbook CS14, tab 14.3, 1000*sum(H36:H38)			
(2) USPS-FYXX-2, tab CS14, cell C60 (or C61)			

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9. Please refer to USPS-T-1 at 4-5. The Postal Service states that “[o]nce the coast-to-coast First-Class surface network is established, the current NDC-to-NDC network will be consolidated into the preferential surface network. This consolidation is estimated to reduce between 14 and 28 percent of the current inter-NDC trips and between 6 and 8 percent of the intra-NDC trips.” Please provide the source data and calculation that support these percentages.

RESPONSE:

The requested materials are provided under seal as part of USPS-LR-N2021-2-NP5. Please see: ‘Pref and NDC combined networks - potential benefit.xlsx’ for the estimated potential benefit of consolidating the preferential and NDC networks. This file estimates the potential benefit of moving utilization of the NDC network from 47 percent to 65 percent, assuming a reduction in trips due to the ability to share transportation with the preferential network.

The 6 to 8 percent reduction in intra-NDC trips was based on a study of two NDC campuses. The study analyzed the ability to reduce intra-NDC trips by consolidating volumes onto plant-to-plant transportation. Please see:

‘Decoupling NDC volume impact to Trans - 20210419v2.pptx’: PowerPoint presentation providing an overview of the study of potential consolidation of NDC campus trips with plant-to-plant trips.

‘Percent reduction of Intra-NDC trips - 20210514.xlsx’: summary of the potential reduction of miles based on the study

Supporting data files can be found in the folder ‘NDC campus study files’:

‘20Z_Volume_and Trip_Analysis.xlsx’: volume file containing trailer utilization of marketing, periodical and retail ground volumes by 20Z NDC service area site. Tab 20Z Service Area contains the summary of the trip count change and annualized costs. Sheet 1 contains the volume percentage for each product type by origin and destination and the status of the volume, whether it is an addition or removal to the transportation due to the processing changes.

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'30Z_Volume_and Trip_Analysis.xlsx': volume file containing trailer utilization of marketing, periodical and retail ground volumes by 30Z NDC service area site. Tab 30Z Service Area contains the summary of the trip count change and annualized costs. Volume Data contains the volume percentage for each product type by origin and destination and the status of the volume, whether it is an addition or removal to the transportation due to the processing changes.

'30Z Transportation Analysis.pptx': contains the summary of all the assumptions and analysis performed for 30Z service area.

'30Z March SV Transportation.xlsx': SV Transportation file for the month of March for all sites within 30Z scope. Used to analyze additional trailer utilization capacity, to determine if new transportation needs to be added or if transportation can be removed due to processing changes.

'20Z March SV Transportation.xlsx': SV Transportation file from March 7 to April 3 for all sites within 20Z scope. Used to analyze additional trailer utilization capacity, to determine if new transportation needs to be added or if transportation can be removed due to processing changes.

'20Z Transportation Analysis.pptx': contains the summary of all the assumptions and analysis performed for 20Z service area.

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- 10.** Please refer to USPS-T-1 at 10. The Postal Service states that "FCPS volume with a three-day service standard must arrive at the destination ADC/SCF by 20:00 hours on Day 2. Assuming that the FCPS mail departs from its origin at 04:00 hours on Day 1, this permits the Postal Service to use surface modes of transportation only where the transit distance is approximately 1,800 miles or less (assuming an average transit speed of 46.5 miles per hour)." Please provide the source data and methodology that supports the calculations of maximum transit distance and average transit speed.

RESPONSE:

The average transit speed of 46.5 miles per hour is used based on input from Supply Management and is used when planning and contracting transportation solutions.

Departing Day 1 at 04:00 and arriving Day 2 at 20:00 leaves an available transit window of 40 hours. The maximum distance based on 40 hours multiplied by 46.5 miles is 1,860 miles. The transit distance was rounded to 1,800 miles in the testimony, as there are other factors such as time zone changes and transfers that could impact the transit distance.

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11. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP5.

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(REDIRECTED FROM WITNESS FOTI)**

1. Please refer to USPS-T-3 at 1. The Postal Service states that “package volumes increasingly originate closer to end customer locations, as retailers fulfill their products closer to the end consumer.”
 - a. Please explain whether the increasing proportions of FCPS volumes originating closer to end customer locations thus far, along with the predicted growth among local FCPS volumes¹ and the expected continued decline in First Class Mail (FCM) volumes,² could become obstacles to cost-effectiveness of long-distance transportation under the proposed FCPS service standards. USPS-T-3 at 8-9.
 - b. Please provide the quantitative analysis showing the change(s) in the percentage of inter-Sectional Center Facility (SCF) FCPS over the past 5 years. In addition to providing this analysis at the product-level, please disaggregate this analysis for Commercial FCPS and Retail FCPS.

RESPONSE:

- 1.b. If volumes reduce on long distance surface lanes, it may become more cost effective to change modes or routings.
- 1.c. A pdf associated with this response is included in USPS-LR-N2021-2-NP6.

¹ The Postal Service projects no net impact on FCPS volumes within the network, suggesting that the expected growth in local volumes might be associated with a decline in non-local, longer distance volumes. *Id.* at 8-9.

² The Postal Service expects continued decline in FCM volumes under the existing FCM service standards. See Docket No. N2021-1, Direct Testimony of Robert Cintron on Behalf of the United States Postal Service (USPS-T-1), April 21, 2021, at 19-20, 26. The Postal Service also projects a 1.63 percent decline in single-piece FCM volume, and a 0.65 percent decrease in First-Class Workshare Mail volume, in response to the implementation of the proposed FCM service standards. See Docket No. N2021-1, Direct Testimony of Thomas E. Thress on Behalf of the United States Postal Service (USPS-T-5), April 21, 2021, at 37.

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2. Please refer to Library Reference USPS-LR-N2021-2/4, June 17, 2021, Excel file "14_SSD_5D_Vol_Impacts_CONUS_Public.xlsx" (FCM and FCPS modeled network results file), tab "Finance_Summary Surface." Please also refer to Docket No. N2021-1, Library Reference USPS-LR-N2021-1/3, April 21, 2021, Excel file "3_SSD_5D_Vol_Impacts_CONUS.xlsx" (FCM modeled network results file), tab "Finance_Summary Surface."
 - a. Please refer to cells D5:D6 in each file. The FCM modeled network results file suggests a 7 percent mileage reduction in inter-Processing and Distribution Center (P&DC) contracted transportation, while the FCM and FCPS modeled network results file suggests a 13 percent mileage reduction in inter-P&DC transportation (cell D6 in each file). For inter-Cluster transportation, the FCM modeled network results file suggests a 4 percent mileage reduction, while the FCM and FCPS modeled network results file suggests an 11 percent mileage reduction (cell D5 in each file). Please explain how the Blue Yonder® Transportation Modeler (TMOD) software accomplished additional mileage reductions in inter-P&DC and inter-Cluster transportation in the FCM and FCPS modeled network, as compared to mileage reductions accomplished under these contract categories in the FCM modeled network.
 - b. Please refer to cells B4:B6 of the FCM and FCPS modeled network results file. Please refer also to Library Reference USPS-LR-N2021-2/1, June 17, 2021, Excel file "USPS-LR-N2021-2_FCPS Transportation Savings-Public.xlsx" (Transportation savings file), tab "Highway," cells B30:B32. The values in the FCM and FCPS modeled network results file suggest that inter-P&DC transportation accounts for 1 percent of total baseline network's mileages, while 21 percent and 78 percent of mileages are for inter-Cluster and inter-Area contracted transportation, respectively. The values in the Transportation savings file suggest that 12 percent of the Fiscal Year (FY) 2020 surface transportation costs, used by the Postal Service to calculate surface transportation-related savings, were incurred on contracted P&DC transportation, while 16 and 72 percent of costs were incurred on inter-Cluster and inter-Area contracted transportation, respectively. Please explain how the actual FY 2020 mileages mirror the percentages of the FY 2020 surface transportation costs incurred for each listed contract category. Please also explain what caused this discrepancy between the actual FY 2020 surface network costs and the associated baseline network mileages.

RESPONSE:

- 2.a. The additional reductions in mileage are related to a few key factors: (1) FCPS having additional time to reach their destinations will allow for overall more optimal trips

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than the FCM model; (2) The increased delivery windows in the FCPS model will allow for more Service Transportation Center (STC) usage instead of direct trips. Outbound STC trips will generally fall into the Inter-P&DC and Inter-Cluster categories. The increase in STC usage versus direct trips drives a reduction in mileages in those categories. The increase in mileage in the inter-Area category is due to the introduction of air parcels as eligible to move via surface lanes due to the change in service standards expanding the surface transit window. As air parcels shift to surface, the overall distribution of trips changed and added more long-haul trips.

% Mileage Difference		
Finance Category	FCPS Model	FCM model
Inter-Area	-2%	7%
Inter-Cluster	11%	3%
Inter-P&DC	5%	3%
Grand Total	1%	6%

2.b. The discrepancy was, in part, caused by not including 'feeder to aggregate' mileage in the summary. The model assumes consolidation of volumes from smaller origins into aggregation sites. The mileage for the feeder to aggregate trips is estimated outside of the model and added-back to the overall mileage comparisons. Originally, this mileage was inadvertently omitted from the reduction analysis, as noted in the Notice of Revised Pages errata filed on July 2, 2021. The reduction in miles was accurately reported for each category, however, omitting the feeder to aggregate mileage reduced the overall mileage in each category, particularly in the inter-P&DC category, and therefore inflated the reduction percentages. The updated tables are below:

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First-Class Mail and Parcels Model						
	Baseline (Current SSD Model)		5 Day		Feeder to Aggregate Add- backs	Comparison Metrics (Delta to baseline)
Finance Category	Modeled Mileages	Total Mileage	Modeled Mileages	Total Mileage	Add-back Mileage	% Mileage Difference
Inter-Area	1,660,846	1,666,328	1,696,056	1,701,538	5,482	-2%
Inter-Cluster	447,330	478,193	396,391	427,254	30,863	11%
Inter-P&DC	31,126	79,109	27,229	75,213	47,983	5%
Grand Total	2,139,302	2,223,630	2,119,677	2,204,005	84,328	1%

First-Class Mail Only Model						
	Baseline (Current SSD Model)		5 Day		Feeder to Aggregate Add- backs	Comparison Metrics (Delta to baseline)
Finance Category	Modeled Mileages	Total Mileage	Modeled Mileages	Total Mileage	Add-back Mileage	% Mileage Difference
Inter-Area	1,660,846	1,666,328	1,551,163	1,556,645	5,482	7%
Inter-Cluster	447,330	478,193	431,135	461,998	30,863	3%
Inter-P&DC	31,126	79,109	28,878	76,861	47,983	3%
Grand Total	2,139,302	2,223,630	2,011,176	2,095,504	84,328	6%

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3. Please refer to USPS-T-1 at 18-19. During the model's second iteration, current air Origin and Destination Pairs (OD Pairs) were introduced to the modeled network. The model either utilized the existing network routings (from the first iteration of the modeled network) or developed new routings exclusively for air OD Pairs.³ Please provide the percentages of FCM and FCPS volumes that are currently transported by air, respectively. For each of the FCM and FCPS volumes currently transported by air, please also specify percentages of their respective volumes which were placed on existing surface routings created during the first model iteration.

RESPONSE:

3. A pdf associated with this response is included in USPS-LR-N2021-2-NP6.

³ An OD Pair refers to origin P&DC - destination Area Distribution Center - destination Sectional Center Facility pair. *Id.* at 18.

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4. Please provide information for the following tables.

FY 2020 actual inter-SCF network			
	Number of daily trips	Number of daily mileages	Capacity utilization
Inter-Area			
Inter-Cluster			
Inter-P&DC			
TOTAL			

FY 2020 actual inter-SCF network adjusted to exclude transportation outside the scope of the model			
	Number of daily trips	Number of daily mileages	Capacity utilization
Inter-Area			
Inter-Cluster			
Inter-P&DC			
TOTAL			

Modeled network which resulted from the first iteration			
	Number of daily trips	Number of daily mileages	Capacity utilization
Inter-Area			
Inter-Cluster			
Inter-P&DC			
TOTAL			

Modeled network which resulted from the second iteration			
	Number of daily trips	Number of daily mileages	Capacity utilization
Inter-Area			
Inter-Cluster			
Inter-P&DC			
TOTAL			

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Final network, with only cost-effective routings			
	Number of daily trips	Number of daily mileages	Capacity utilization
Inter-Area			
Inter-Cluster			
Inter-P&DC			
TOTAL			

Please provide the requested information for total inter-SCF network if it is not available at the contract category level.

RESPONSE:

FY 2020 actual inter-SCF network			
	Number of daily trips	Number of daily mileages	Capacity utilization
Inter-Area	4,254	1,512,503	N/A
Inter-Cluster	2,946	324,751	N/A
Inter-P&DC	2,611	234,452	N/A
TOTAL	9,811	2,071,706	45%

FY 2020 actual inter-SCF network adjusted to exclude transportation outside the scope of the model			
	Number of daily trips	Number of daily mileages	Capacity utilization
Inter-Area	4,092	1,411,226	N/A
Inter-Cluster	2,935	322,426	N/A
Inter-P&DC	2,589	232,814	N/A
TOTAL	9,616	1,966,466	45%

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Modeled network which resulted from the first iteration			
	Number of daily trips	Number of daily mileages	Capacity utilization
Inter-Area	2,071	1,412,820	74.4%
Inter-Cluster	1,477	388,456	76.8%
Inter-P&DC	922	72,850	77.9%
TOTAL	4,469	1,874,126	75.7%

Modeled network which resulted from the second iteration			
	Number of daily trips	Number of daily mileages	Capacity utilization
Inter-Area	2,649	1,926,076	63.4%
Inter-Cluster	1,529	516,340	76.3%
Inter-P&DC	933	83,849	77.1%
TOTAL	5,111	2,525,913	71.9%

Final network, with only cost-effective routings			
	Number of daily trips	Number of daily mileages	Capacity utilization
Inter-Area	2,165	1,701,538	74.5%
Inter-Cluster	1,502	427,254	77.0%
Inter-P&DC	930	75,213	78.1%
TOTAL	4,597	2,204,005	75.8%

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5. Please refer to USPS-T-1 at 19-21. The Postal Service states that 6 days of volumes were modeled to allow efficient connection throughout the end-to-end network, and that this allowed pairing of shipments dispatched on day 1, with shipments dispatching on day 2 along the line of travel to final destination. To determine cost-effectiveness of surface routes created exclusively for air OD Pairs, the Postal Service states that routes which launched on day 1 were evaluated.
- a. Please specify whether a surface routing created exclusively for air OD Pairs, and routed as "all drops and one pick" or as "all picks and one drop," was modeled to transport only volumes currently transported by air, or whether it was modeled to transport both volumes currently in the air network and volumes currently in the surface network for a portion of trip. If the former (modeled to transport only volumes currently transported by air), please refer to questions d. and e., below. If the latter (modeled to transport both volumes currently in the air network and volumes currently in the surface network for a portion of trip), please refer to questions b. through e., below.
 - b. Please provide an example of an "all drops and one pick" trip for which volume declines over the course of the route. Please also identify the current transportation modes for the transported volumes dropped at all destinations along the line of travel.
 - c. Please provide another example of an "all picks and one drop" trip, for which volume increases over the course of the route. Specifically, please identify the current transportation modes for the transported volumes picked up at each origin along the line of travel.
 - d. Please explain how cost-effectiveness was determined for "all drops and one pick" routings launched on day 1. Specifically, please identify which distances were used to estimate the cost of surface transportation and what weights were used to determine the cost of air transportation for multi-leg trips.
 - e. Please explain how the cost-effectiveness was determined for "all picks and one drop" routings launched on day 1. Specifically, please identify which distances were used to estimate the cost of surface transportation and what weights were used to determine the cost of air transportation for multi-leg trips.

RESPONSE:

5.a. The routings modeled to move surface volumes were created in the first iteration. Air volume could be added to those trips in the second iteration if space and transit window permitted. Routings created solely for air volumes would not contain any

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existing surface volumes.

5.b. N/A

5.c. N/A

5.d. Cost effective analysis compared the cost of flying volume versus the estimated cost of the surface trip. The estimated air costs reference air carrier costs and current volume distributions by carrier. The surface component was calculated as the total distance for that trip, regardless of the number of legs in a multi-leg trip.

5.e. Cost effective analysis compared the cost of flying volume versus the estimated cost of the surface trip. The estimated air costs reference air carrier costs and current volume distributions by carrier. The surface component was calculated as the total distance for that trip, regardless of the number of legs in a multi-leg trip.

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6. Please refer to USPS-T-1 at 22-25. Please provide additional information related to Surface Transfer Center (STC) operations.
- a. Please provide a list of STCs used in the model. For each STC, please provide the following information:
 - i. Identify each STC as either a contracted or a postal-operated site.
 - ii. Provide FY 2020 annual volumes processed in each STC.
 - iii. Provide modeled volumes projected to be routed through each STC (daily and annual).
 - b. Please confirm that the STCs listed in response to question 6.a. include the most recently acquired facilities. If not confirmed, please provide the list of the most recently acquired STCs which were not included in the model.
 - c. The Postal Service states that “[c]urrent contracted STCs are expected to process and transfer volumes within the two-hour window.” USPS-T-1 at 29.
 - i. Please explain whether the time to process and transfer volumes at STCs was increased in the modeled network under the proposed changes to both the FCM and the FCPS service standards. Please compare this to the time used in the modeled network under the proposed FCM service standards in response to increase in volumes routed through STCs.
 - ii. Please provide the expected time to process and transfer volumes at postal-operated STCs.
 - iii. Please explain whether the Postal Service monitors actual processing/volume transfer times for STCs. If actual processing/volume transfer times for STCs are monitored, please provide average processing/volume transfer times for each STC listed in response to question 6.a., above. If processing/volume transfer times at STCs are not monitored, please explain why.
 - iv. Please explain whether the Postal Service assesses penalties to contracted STCs which do not process volumes within the expected 2-hour window. If so, please explain how the penalties are assessed. If the Postal Service does not assess penalties to contracted STCs for poor performance, please explain the reason(s) that the Postal Service does not assess penalties to contracted STCs for not processing volumes within the expected 2-hour window.

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RESPONSE:

6.a. A pdf associated with this response is included in USPS-LR-N2021-2-NP6.

6.b. Confirmed

6.c.

i. The processing time was not changed from two hours during either model iteration. The expected STC throughput increase is not expected to significantly impact any STCs ability to meet this constraint.

ii. The expected minimum time to process and transfer volumes at an STC is 2-hours.

iii. The Postal Service monitors the time from trip arrival to unload end.

There is no current system in place to remotely monitor the total cycle time of unload, process, and load. The 2-hour window is the minimum time required and most transfers will have more time. To be eligible for transfer via an STC, the transfer window must be at least 2-hours from arrival to departure.

iv. A pdf associated with this response is included in USPS-LR-N2021-2-NP6.

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7. Please refer to USPS-T-1 at 32. Please provide daily trips and mileages, as well as annual trips and mileages traveled by transportation outside the scope of this model in FY 2020. Please provide this information for all applicable contract categories (*i.e.*, inter-P&DC, inter-Cluster, and inter-Area).

RESPONSE:

7. Additional trips outside the scope of the model but included in the FY 2020 data are not easily separated, but could include mailer pick-ups, THS trips, empty equipment trips, extra trips, peak season, trips, and inter-P&DC transfers of volumes. Below is a subset of trips and mileage that was able to be identified in their respective contract type categories:

Outside Scope (Christmas, Exceptional, Empty Equipment)				
Contract Type	Annual Miles	Annual Trips	Daily Miles	Daily Trips
Inter-Area	31,092,205	49,959	101,278	163
Inter-Cluster	713,702	3,439	2,325	11
Inter-P&DC	502,767	6,843	1,638	22
<i>Source: TCSS FY20 Q4</i>				

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8. Please refer to USPS-T-1 at iii n.2. The Postal Service states that:

Changes to First-Class Package service standards would also incidentally affect international mail service standards for small packets and bulky letters, in that First-Class Package service standards generally apply to inbound international small packets and bulky letters from domestic origin airports to delivery points, and for outbound international mail from origin to International Service Center. We are not proposing any service standard changes regarding packages or changes to caller service through this proceeding,

- d. Please describe in detail what effects the proposed FCPS service standards will have on international mail service standards for small packets and bulky letters. In your response, please indicate which sizes and shapes of "international small packets and bulky letters" will be governed by the proposed FCPS service standards and identify what service standard(s) will be applied to the remainder of the "international small packets and bulky letters."
- e. Please file any material (including any calculations, analysis, assumptions, studies, or workpapers) that detail the impact that the proposed FCPS service standards are expected to have on "international small packets and bulky letters," including what percentage of small packets and bulky letters are expected to be affected.
- f. Please identify any other mail products whose service standards may be affected by the proposed FCPS service standards. In your response, please specifically explain whether the following products and categories will be affected, and if so, how would the product or category be affected:
 - i. Outbound Single-Piece First-Class Package International Service.
 - ii. Competitive domestic negotiated service agreements (NSAs) that include FCPS products in the agreements.
 - iii. Competitive international negotiated service agreements that include Outbound Single-Piece First-Class Package International Service in the agreements.

RESPONSE:

8.a. International Letters, Flats and Parcels will take on the corresponding First-Class mail service standards while domestic (2-5 day). The service standards are defined by using the distance from the Origin P&DC to the respective ISC for outbound international volumes and from the ISC to the Destination P&DC for inbound international volumes.

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8.b. Please see "Q8b - Int'l IMPACT_CONUS_Summary 6_9_2021 - NP.xlsx"
provided under seal in USPS-LR-N2021-2-NP6.

8.c.

- i. Outbound Single-Piece First-Class Package International Service would be impacted by the proposed service standard change. The change in service standard will be based on the proposed service standard from the origin P&DC to the outbound ISC.
- ii. NSA FCPS domestic packages will have the same service standards as published rated packages.
- iii. Outbound FCPIS and inbound letter post packets will be affected in the same manner as domestic. International NSA customers will get whatever service is provided for the published rate product.

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- 9.** Please refer to USPS-T-1 at 35, Figure 7. Please provide separate graphs disaggregated for:
- a. FCPS volume by service standard for commercial NSAs.
 - b. FCPS volume by service standard for non-NSA and retail FCPS.

RESPONSE:

- 9.a & b.** A pdf associated with this response is included in USPS-LR-N2021-2-NP6.

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- 10.** Please compare and contrast the process used to develop the initial service standards for FCPS with the process used to determine the proposed service standards.

RESPONSE:

10. The current service standards were derived around the expanded operating window at the Processing and Distribution Centers for the Operating Window Change. Service standards are based on the ability to dispatch volumes from an origin and arrive at destination by the Critical Entry Time (CET). The CET for FCM was selected nationally to support the standardized expanded operating window, which called for processing incoming primary letter and flat volumes between 0800 and 1200. The planned Clearance Time for Outgoing Secondary operations at the origin is 0030. The assumption was that 90 minutes for manual processing and dispatch would allow dispatching as early as 0200. The planned departure from origin at 0200 and arrival prior to 0800 determined the 6-hour reach for 2-day volume. All Origin and Destination pairs beyond 6-hours were assigned a 3-day service standard, since they would not be able to depart from origin and arrive at destination by the CET. All First-Class products follow the same business rules with the slight exceptions between single-piece and commercial.

The proposed service standards were based on improving capability to transport more volumes on surface coast-to-coast. Similar to the logic used to determine the current service standards, drive times from origin to destination were considered along with CTs and CETs. Additional time for routing and transferring volumes via hubs or Surface Transfer Centers (STCs) was included, with the understanding volumes would need to be massed and/or picked/dropped at multiple locations for efficiency. The 8-

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hour reach for FCPS 2-day pairs was determined to align with the organization's goal to better compete in the market within an 8-hour reach. A 32-hour reach for 3-day FCPS volume aligns with the First-Class Mail, accounting for a CET for package 12-hours later than that for letters and flats. It allows up to eight hours for routing and transfer of volumes through an STC. The 50-hour reach for 4-day adds an additional six hours for additional transfers and to help mitigate service impacts from transit delays.

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- 11.** Please confirm that the process used to develop the proposed service standard for FCPS is identical to the process used to determine the proposed service standard for Market Dominant First-Class Mail. If not confirmed, please explain the differences in processes.

RESPONSE:

- 11.** Confirmed.

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- 12.** Please refer to USPS-T-1 at 4. The Postal Service states that “[a]n estimated 14 to 48 percent reduction in the number of air charters may be possible depending on the final volume of the lanes identified to shift from air to surface transportation.”
- a. Please provide the source data and methodology underlying the calculation of the estimated reduction in the number of air charters.
 - b. Please confirm that the term “lanes” in the above-referenced passage is used synonymously with origin-destination pairs.
 - c. Please confirm that the Postal Service uses air charters in transporting a product when its network of regularly-scheduled commercial air carriers cannot support the volumes to be transported.
 - d. Were all air charters that were used in FY 2020 exclusively used for FCPS products?
 - i. If no:
 1. Please identify other mail products that used the same air charters flights as FCPS in FY 2020.
 2. Please quantify the proportion of air charter flights used for FCPS and the proportion of total air charter flight costs incurred by FCPS in FY 2020.
 3. Given that FCPS used only a proportion of air charter flights, please explain the basis of Postal Service’s assertion that the proposal will lead to a reduction in the number of air charters rather than an underutilization of air charter capacity on air charter flights that carry other mail products. See, e.g., USPS-T-1 at 37.
 - ii. If yes, please identify the number of such exclusive air charters flights and corresponding volume of FCPS moved by FCPS-exclusive air charters flights in FY 2020.

RESPONSE:

12.a. The range of charter reductions was estimated in two ways referencing April 2021 as a sample month and determining how the potential reduction in air volume would impact the demand for charters assuming (1) the proposed air to surface lanes were implemented and (2) assuming all FCPS were shifted to surface in origins with air network capacity issues. April air assignment data was pulled from EDW using

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Teradata, and the charter information was pulled from the FX ACN Charter tracking workbook for April. The assigned volume by origin and destination pair was matched to the proposed air to surface pairs to determine the reduction in air volume by origin airport. The reduction in volume was compared to the volume driving the need for charters in each origin airport. In scenario (1), the exceeded capacity threshold to justify a charter was set to 4,000 cubic feet. The count of the actual charters used in April was compared to the count of charters that would have been called if the service standard change volume reductions were in place. 187 charters were called in April and the analysis shows a reduction in demand by 27 charters, or 14 percent. Scenario (2) assumed the same minimum threshold of 4,000 cubic feet of exceeded air capacity to trigger a charter, but removed the proposed air to surface lanes, plus all FCPS from the airports with exceeded capacity. This reduced the demand for charters by 89 for a reduction of 48%. Please see files: "NP - April 2021 Charters - Air to Surface modeled lanes 5-13-21.xlsx" and "NP - April 2021 Charters - Air to Surface NO SPRS 5-13-21.xlsx" provided under seal in USPS-LR-N2021-2-NP6.

12.b. Confirmed.

12.c. Partially confirmed. Charters are planned when volume is expected to exceed the Postal Service's regularly planned air network (commercial and cargo carriers).

d. No, charters were used to move all mail types that are planned to be transported by the air network.

i.1. Priority, First Class Letters and Flats all used the same air charters as FCPS.

i.2. The Postal Service does not have data to quantify the proportion of

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products carried by air charters.

i.3. First Class Mail and Packages can be assigned to any network carrier participating in a lane. A reduction in demand for any volume in the air network will reduce the demand for air charters.

ii. N/A

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13. Please refer to USPS-T-1 at 11. The Postal Service states that:

Under the present business rules, there are cases where the SCF is closer to origin facilities and has a 2-day service standard, while the parent ADC is beyond the 6-hour drive time and therefore has a 3-day service standard. In these situations, to meet the service commitments to the subordinate SCR, the origin facility must make a separation for the SCF's volume and in some cases plan specific transportation to the SCF to meet the service commitments.

- a. Please identify which facility in the flow chart on page 11 would constitute a "Parent ADC."
- b. Please explain what is meant by "meet[ing] the service commitments to the subordinate SCF."
- c. Please elaborate on the existing situation in which "the SCF is closer to origin facilities and has a 2-day service standard, while the parent ADC is beyond the 6-hour drive time and therefore has a 3-day service standard."
 - i. Please provide a flow chart (or other diagram) that shows the process in which an "origin facility [makes] a separation for the SCF's volume and in some cases plan[s] specific transportation to the SCF to meet the service commitments." *See id.*
 - ii. In these situations, where the SCF is closer to the origin facility than the parent ADC, please explain why FCPS would not be transferred directly between the origin facility and the SCF (bypassing the parent ADC).
 - iii. Please quantify the annual percentage of FCPS volume that which "the SCF is closer to origin facilities and has a 2-day service standard, while the parent ADC is beyond the 6-hour drive time and therefore has a 3-day service standard" since FY 2017. *Id.*

RESPONSE:

13.a. "SCF B" represents a "parent ADC" servicing "SCF C".

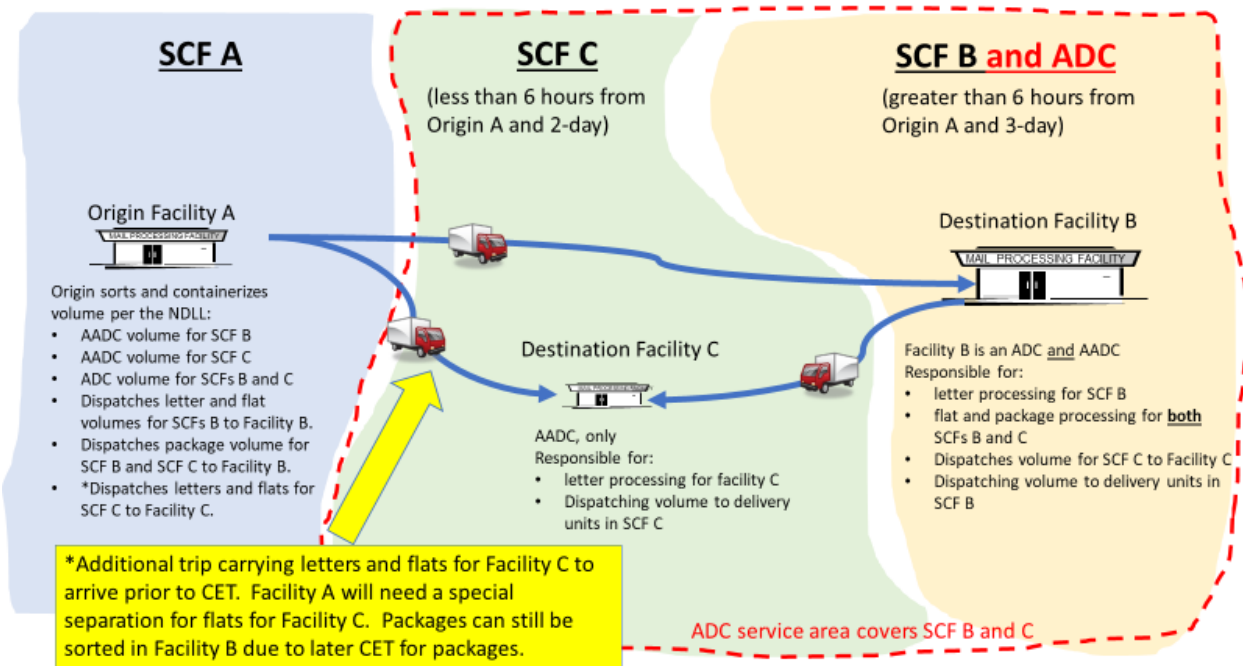
13.b. "Meet[ing] the service commitments to the subordinate SCF" means providing volumes to the destinating SCF prior to the Critical Entry Time (CET), allowing the downstream SCF to process and dispatch volumes timely for Delivery operations.

13.c. In a case where a small SCF processes only letters, but is responsible for dispatching all products to Delivery operations within the SCF's service area, the "parent ADC" responsible for processing packages and flats will need to process the

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flats and packages and transfer the volume to the small SCF prior to the SCF's Critical Entry Time. If the small SCF is 6-hours of an origin, but the "parent ADC" is 8-hours from that same origin, the small SCF will be 2-day, and the "parent ADC" will be 3-day. This requires special handling and routing from the origin and / or "parent ADC" to achieve the service standard between the Origin and the small SCF.

i.



ii. Each Origin across the country is required to make separations per the National Distribution Labeling List (NDLL) by product to destinations based on the destination's sorting responsibility. These separations are determined limited by the origin sortation equipment, the sortation capability at each destination, and also considers volume. The typical package sorting equipment has the capability of making between 100 and 200 separations. In the example above, Origin Facility A could add a special separation to separate volume for Facility C, but any special separations for low volume destinations for service requirements

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typically add additional handling by sacrificing another high-volume destination and requires manual handling. This also adds transportation between low-volume pairs. Instead of limiting transportation servicing Facility C between Facility B and C, this scenario now necessitates adding transportation between Facility A and C and reduces volume on transportation between Facility B and C.

iii. A pdf associated with this response is included in USPS-LR-N2021-2-NP6.

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- 14.** Please refer to USPS-T-1 at 35. The Postal Service states that “[a]s shown in USPS-LR-N2021-2-NP2, the percentage of pharmaceutical FCPS volume projected to be subject to a two-day service standard increases; and the percentage of pharmaceutical FCPS volume projected to be subject to a three-day service standard decreases.”
- a. Please identify the file and worksheet names in Library Reference USPS-LR-N2021-2/NP2 that contain the service standard projections for pharmaceutical FCPS volume.
 - b. Please describe the assumptions and methodology used in the model that supports the Postal Service’s service standard projections for pharmaceutical FCPS volume.
 - c. Please explain the process by which the Postal Service identifies pharmaceutical FCPS volume from origin to destination.
 - d. Please confirm that the Postal Service has the ability to track pharmaceutical FCPS packages throughout the network.
 - i. If confirmed, please identify the system used to track pharmaceutical FCPS packages.
 - ii. If not confirmed, please explain the basis for the Postal Service’s projections for pharmaceutical FCPS volume.

RESPONSE:

14.a. In USPS-LR-N2021-2-NP2, file “10_3digit_FCPS_Private.xlsx” contains pharmaceutical FCPS volume in column-H of Tab “All Pairs”. A pdf associated with this response is included in USPS-LR-N2021-2-NP6.

14.b. Special Service Code (SSC) 401 is an optional code employed to identify pharmaceutical volume. FCPS volume with this SSC in the data set used to identify pharmaceutical volume between pairs and determine the percentage impacted by the proposed service standard change.

14.c. See response to part-b, above.

14.d. Partially confirmed. The Postal Service can identify pharmaceutical volume identified by SSC 401. Pharmaceutical volume without SSC 401 cannot be tracked separately from FCPS.

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i. and ii. See answers above.

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15. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP6.

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1. Please refer to USPS-T-1, at 3, lines 10-13, and at 4, lines 1-2. The Postal Service states that “[i]ncreasing FCPS service standards by one and, in some cases, two days, will therefore serve multiple purposes: enabling the Postal Service to transport a greater volume of FCPS mail within the contiguous United States by more reliable surface transportation rather than by air transportation; enabling the Postal Service to better meet the revised service standards; and reducing cost to the Postal Service by favoring the less expensive surface transportation modes.”
 - a. Please estimate the cost incurred to meet the existing FCPS service standards at the actual percent on-time level achieved for Fiscal Year (FY) 2017 through FY 2020. Please describe the assumptions and methodology underlying the calculation of this cost estimate.
 - b. Please estimate the cost that would have been incurred to meet the existing FCPS service standards at the 95 percent on-time target level for FY 2017 through FY 2020. Please describe the assumptions the methodology underlying the calculation of this cost estimate.
 - c. Please estimate the cost that would have been incurred to meet the proposed FCPS service standards at the 95 percent on-time target level for FY 2017 through FY 2020. Please describe the assumptions and methodology underlying the calculation of this cost estimate.

RESPONSE:

1.a. It would appear that this question essentially seeks the estimated total FCPS costs incurred during the years specified, based on what actually occurred during those years when attempting to meet the existing service standards. As such, those estimates would appear to be the FCPS costs reported in the CRA for each of those years.

1.b. The Postal Service has not identified any way to provide a meaningful estimate of the additional total FCPS costs that would have been incurred under this counter-factual scenario.

1.c. The Postal Service has not identified any way to provide a meaningful estimate of the total FCPS costs that would have been incurred under this counter-factual scenario.

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2. Please refer to Response to Presiding Officer's Information Request No. 1, question 4.a.⁴ The Postal Service states that "[a]ctual days to deliver performance metrics were reviewed to determine the target. Based on the proposed service standard changes, plus the changes currently in process to hire additional staffing, install additional mail processing equipment, and acquire additional facility space for both logistics and mail processing operations, a 95 percent target for on-time performance was selected."
- a. Please provide "[a]ctual days to deliver performance metrics" for FCPS for FY 2017 through FY 2020, disaggregated by quarters and annualized for each fiscal year.
 - b. Please identify the source data and explain the methodology and calculation that was used to derive the metrics.
 - c. Please explain what assumptions were made regarding the changes currently in process to hire additional staffing, install additional mail processing equipment, and acquire additional facility space for both logistics and mail processing operations to select the 95 percent on-time target level.
 - d. Please explain what assumptions were made regarding the changes that would be needed to train and align additional staffing to handle expected FCPS volume, deploy additional mail processing equipment to handle expected FCPS volume, and deploy additional facility space for both logistics and mail processing operations to select the 95 percent on-time target level.
 - e. Please identify and explain any other assumptions made to select the 95 percent on-time target level.

RESPONSE:

2.a. Please see, file "POIR No4 Q2 and Q13 - FCPS service perf current vs. proposed(NP).xlsx" filed on today's date as part of Library Reference USPS-LR-N2021-2-NP10. Note we do not have data for FY17 and FY18 available to support this analysis.

2.b. The source data are from PTR. The methodology used was:

- 1) Data file of existing and proposed service standards by Origin Zip Code3 to Destination Zip Code3 was provided by Logistics Modeling and Analytics and

⁴ Responses of the United States Postal Service to Questions 1-8.a, 9-11 of Presiding Officers' Information Request No. 1, July 6, 2021 (Responses to POIR No. 1)

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was loaded into a temporary database for use in assigning proposed service standards.

- 2) Each piece was assigned a new and old service standard (existing service standards were recalculated as to back out the extra day for COVID-19)
- 3) Each piece was assigned a new Scheduled delivery date using the existing Effective Start The Clock date.
- 4) Each piece was evaluated for "on-timeness" using the existing Stop the Clock event measured against the old and proposed Scheduled Delivery Date.
- 5) Piece data were then rolled up by quarter/year/Svc Std/Sales Source Code.

2.c. The assumptions were as follows: addressing staffing shortages and package processing capacity constraints, combined with the service standard changes, would allow the Postal Service to achieve 95 percent on-time delivery.

2.d. Assumptiosns made included the following: new employees would be on-boarded and trained per the current process. The Postal Service has a team and resources dedicated to acquiring and deploying new equipment, and a team dedicated to the acquisition of space. It is unclear whether these normal operational assumptions would impact the 95 percent target.

2.e. No other assumptions were made in selecting the 95 percent target.

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- 3.** Please refer to Responses to POIR No. 1, questions 7.b. and 7.c.
- a. Please confirm that the surface utilization for FCPS can be isolated. If confirmed, please provide surface utilization data for FY 2017 through FY 2020 annually for each FCPS product, disaggregated by quarter. If not confirmed, please discuss the challenges of isolating surface utilization for FCPS with a reasonable degree of confidence using scans.
 - b. Has the Postal Service developed an estimate of the change in surface transportation capacity utilization for the change in service standards for FCPS in isolation? If so, please provide this estimate.

RESPONSE:

3.a. The Postal Service does not attempt to isolate surface utilization for FCPS (or for any other product) using scans. Instead, as indicated in the Witness Hagenstein's response to Question 7 of POIR No. 1 (filed on July 6, 2021), utilization percentages are calculated based on containers that can include all mail products. Nonetheless, it is possible to take the quarterly overall Inter-SCF utilization percentages thusly derived, and apply to those percentages the FCPS share of cubic foot miles, as estimated from TRACS data, from the corresponding quarter. The table in file "POIR 4 Q3a - FCPS Utilization-NonPublic.xlsx", filed on today's date as part of Library Reference USPS-LR-N2021-2-NP10, presents the results of that procedure for each quarter of FY 2017 through FY2020.

3.b. The baseline model showed 18 percent total utilization from FCPS. After introducing the proposed service standards, this increased to 22 percent.

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4. Please refer to Response of The United States Postal Service to Question 8.B of Presiding Officer's Information Request No. 1, July 7, 2021. Please identify the reason(s) leading to the utilization of charters to increase from FY 2015 to FY 2016 and from FY 2017 to FY 2018.

RESPONSE:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP10.

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- 5.** Please refer to Responses to Presiding Officer's Information Request No. 2, question 10 describing the process for developing the initial service standards for FCPS.⁵
- a. Please refer to the nation-wide goal of "planned Clearance Time for Outgoing Secondary operations at the origin is 0030." Is this processing goal applicable to parcels, specifically FCPS? If not, please discuss what changed, when, and how the new proposal contains a new processing goal for Outgoing Secondary parcel operations.
 - b. Please refer to the assumption that "90 minutes for manual processing and dispatch would allow dispatching as early as 0200." Does this assumption still hold true for FCPS? If not, please discuss what changed, when, and how the new proposal adjusts it to be a more realistic assumption.
 - c. Please refer to the nation-wide goal of "planned departure from origin at 0200 and arrival prior to 0800 determined the 6-hour reach." Is this processing goal applicable to parcels, specifically FCPS? If not, please discuss what changed, when, and how the new processing goal for the clearance of outgoing parcels.

RESPONSE:

5.a. The planned clearance time for Outgoing Secondary letter and flat processing is 00:30. The planned clearance time for Outgoing package processing is 01:15. The processing clearance time for letters, flats, and packages did not change. The proposed service standard change is designed allow for service performance improvement and transportation efficiencies. The proposal does not incorporate changes to mail processing clearance times; however, it will allow later dispatch times from origin allowing for later clearance.

5.b. No, the 90 minutes is assumed for letter and flat manual processing and dispatch operations, not FCPS. Letters and flats are processed on a greater number of machines, sorted to a greater number of separations, and typically require a tray sortation and containerization prior to dispatch. Although package processing has a

⁵ Responses of the United States Postal Service to Questions 1-15 of Presiding Officers' Information Request No. 2, July 8, 2021 (Responses to POIR No. 2).

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manual component, the dispatching component is typically less complicated. Also, even though FCPS shares the same service standards as single-piece First-Class letters and flats, FCPS has a later Critical Entry Time at destination which allows for later dispatching.

5.c. The original service standards for 2-day FCM were based on a 02:00 dispatch and CET at destination by 08:00 for letters and flats. The CET at destination for packages is later than letters and flats. The package operating plan was not the determining factor in the prior service standard development; however, it was assumed that package processing would be capable of achieving the dispatches as early as 02:00. Note, the 02:00 dispatches would have only applied to 2-day pairs near the 6-hour transit window.

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- 6.** Please refer to the Response to POIR No. 2, question 10, describing the process for developing the proposed service standards for FCPS.
- a. What is the Postal Service's confidence level that it can achieve an 8-hour reach for FCPS 2-day pairs at a 95 percent on-time target level under the proposal? What is the basis for that confidence level?
 - b. Accounting for the planned Critical Entry Time (CET) for packages that would be 12-hours later than the CET for letters and flats and allowing up to eight hours for routing and transfer of volumes through a Surface Transfer Center (STC), what is the Postal Service's confidence level that it can achieve a 32-hour reach for FCPS 3-day pairs at a 95 percent on-time target level under the proposal? What is the basis for that confidence level?
 - c. Given an additional six hours for additional transfers and to help mitigate service impacts from transit delays, what is the Postal Service's confidence level that it can achieve a 50-hour reach for FCPS 4-day pairs at a 95 percent on-time target level under the proposal? What is the basis for that confidence level?

RESPONSE:

6.a. The Postal Service did not calculate a confidence level for achieving 95 percent on-time delivery for 2-day pairs with an 8-hour reach. Several factors will influence the capability beyond the proposed service standard change, including the processing capability. Mail Processing is working on addressing staffing, space, and capacity constraints.

6.b. The Postal Service did not calculate a confidence level for achieving 95 percent on-time delivery for 3-day pairs up to a 32-hour reach. The 32-hour reach reduces the current reach for 3-day pairs and allows the Postal Service to route volume in a way that balances cost effectiveness with service capability.

6.c. The Postal Service did not calculate a confidence level for achieving 95 percent on-time delivery for 4-day pairs up to a 50-hour reach. The proposed service standards enable the Postal Service to route volume in a way that balances cost effectiveness with service capability.

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7. Please refer to Responses to POIR No. 2, question 8.c. Please confirm that no additional products are impacted by the proposal. If not confirmed, please list all additional affected products.

RESPONSE:

Confirmed.

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8. Please refer to Responses to POIR No. 2, question 14.b. The Postal Service states that "Special Service Code (SSC) 401 is an optional code employed to identify [the] pharmaceutical volume. FCPS volume with this SSC in the data set used to identify pharmaceutical volume between pairs and determine the percentage impacted by the proposed service standard change."
- a. Please describe Special Service Codes generally, how they are used by mailers, and how they are used by the Postal Service.
 - b. Please explain whether SSCs are unique to each product or class of mail, and whether the same SSCs are used for different products.
 - c. Please define SSC 401.
 - d. Does SSC 401 also refer to FCPS containing non-prescription medications (e.g., medicines available without a prescription)? Is there a separate code for non-prescription medications?
 - e. Does SSC 401 also refer to FCPS containing medical devices? Is there a separate code for medical devices?
 - f. Does SSC 401 also refer to FCPS containing any content shipped by a pharmaceutical mailer? Is there a separate code for non-medical content shipped by a pharmaceutical mailer via FCPS?
 - g. Who has the option to apply SSC 401 to FCPS? Is it solely at the discretion of Postal Service personnel, or is it applied by the shipper? If the answer is the former, please identify which Postal Service personnel (collections, processing, delivery, or other) has the option to apply SSC 401.
 - h. How is SSC 401 applied to FCPS? Please describe the process and criteria for application.
 - i. Is SSC 401 based on a scan(s)? If yes, which scan(s)/processing operation(s) is SSC 401 applied to FCPS? If it is possible to apply SSC 401 at multiple scan point(s)/processing operation(s), which is most commonly applied?
 - j. Is SSC 401 only for Full-Service Intelligent Mail Package Barcode (IMpb) FCPS?
 - k. Is SSC 401 applied to FCPS using only basic IMpb?
 - l. Is SSC 401 reflected on the Shipping Services File (SSF)⁶ for FCPS?
 - m. What special handling does FCPS coded SSC 401 receive under the existing standards?
 - n. What special handling would FCPS coded SSC 401 receive under the proposed standards?

⁶ See United States Postal Service, *Postal Pro: IMpb Fact Sheet*, available at <https://postalpro.usps.com/shipping/impb/impbfactsheet>.

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- o. If SSC 401 is applied to a FCPS item, what visibility does the shipper have into that item's travel through the postal network under the existing standards?
- p. If SSC 401 is applied to a FCPS item, what visibility does the addressee have into that item's travel through the postal network under the existing standards?
- q. If SSC 401 is applied to a FCPS item, what visibility does the shipper have into that item's travel through the postal network under the proposed standards?
- r. If SSC 401 is applied to a FCPS item, what visibility does the addressee have into that item's travel through the postal network under the proposed standards?
- s. Please provide the pharmaceutical volumes in other products identified using SSCs, disaggregated by product and SSC as available for FY 2019 and FY 2020.

RESPONSE:

8.a. Special service codes (SSCs) are used to provide features that enhance products and services (for example longer tracking data retention), identify content, assess fees (where applicable) and enable reporting and analysis. SSCs identify extra services for which optional services, such as insurance coverage, restricted delivery, adult signature, evidence of mailing and return receipt have been added to a product. Some SSCs identify the general contents of a package as with pharmaceutical, medical supplies, fragile, or perishable goods. Special Service Code is also referenced as Extra Service Code (ESC) in USPS documentation.

Mailers/shippers use Special Service Codes to request or apply an optional service or product feature to an item and/or to identify content. For services that require payment the mailer/shipper provides the code and pays the fee. Mailers/shippers place SSCs in the appropriate fields of a shipping services or shipping partner file.

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The Postal Service uses Special Service Codes to provide features to the product (how long to retain the data, whether to collect a signature), to assess and collect fees (depending on the SSC), to assist in issue resolution and to enable reporting and analytics.

8.b. Are SSCs unique to each product or class of mail: No, SSCs are not unique to each product or class of mail. SSCs can be used for multiple classes of mail as defined in the Mail Classification Schedule (MCS).

Are the same SSCs used for different products: Yes, the same SSCs are used for different products within the use defined by the Mail Classification Schedule.

8.c. Special Service Code 401 is used to identify pharmaceutical shipments. When Special Service Code 401 is included in electronic package level detail data, this allows the Postal Service to identify packages as pharmaceutical shipments, include these items in reporting and assist with issue resolution. This Special Service Code also ensures that all data for the package is kept for 11 years, which exceeds the 10-year retention period required by many of the Pharmaceutical customers shipping with USPS. Additionally, use of the Pharmaceuticals Special Service Code provides customers with the ability to electronically obtain a Signature Proof of Delivery or Tracking Proof of Delivery letter, depending on the signature service for that package. Proof of Delivery letters can be accessed either through the USPS Tracking website on USPS.Com, enrollment in the Bulk Proof of Delivery (BPOD) program, or via a subscription process. SSC 401 can be used with competitive products only (Priority Mail, Priority Mail Express, First-Class Package Service, Parcel Select, Parcel Select Lightweight). SSC 401 can also be applied to Priority Mail Express and Priority Mail

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Open & Distribute containers when the nested contents are all pharmaceuticals. Only shippers with a Negotiated Service Agreement (NSA) and authorization from the Postal Service to use SSC 401 may include it in their electronic data.

8.d. Does SSC 401 also refer to FCPS containing non-prescription medications? No, SSC 401 does not refer to FCPS containing non-prescription medications. Is there a separate code for non-prescription medications? No, there is not a separate code for non-prescription medications.

8.e. Does SSC 401 also refer to FCPS containing medical devices? No, SSC 401 does not refer to FCPS containing medical devices. Is there a separate code for medical devices? Yes, there is a separate SSC for medical devices. Special Service Code 402 is for Medical Supplies.

8.f. Does SSC 401 also refer to FCPS containing any content shipped by a pharmaceutical mailer? No, SSC 401 is not for any content, it is specifically to be used for pharmaceutical products. The shipper is responsible for providing SSC 401 in the electronic data only for those packages that contain prescription pharmaceuticals. Is there a separate code for non-medical content shipped by a pharmaceutical mailer via FCPS? No, there is not a separate code for non-medical content shipped by a pharmaceutical mailer via FCPS.

8.g. Who has the option to apply SSC 401 to FCPS? Authorized pharmaceutical mailers/shippers apply SSC 401 in the electronic data. The pharmaceutical mailers/shippers are authorized to use SSC 401 through a Negotiated Service Agreement from the Postal Service. Is it solely at the discretion of Postal Service personnel, or is it applied by the shipper? No, application of the SSC 401 is not solely

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at the discretion of Postal Service personnel. The authorized mailer/shipper applies the SSC 401 in the electronic data in a shipping services/shipping partner file.

8.h. The SSC 401 is applied to FCPS when an authorized mailer/shipper with an NSA agreement electronically provides SSC 401 in the proper position in a Shipping Services or Shipping Partner file. As part of electronically processing the shipping file data the Postal Service stores SSC 401 with each tracking number for the respective packages.

8.i. No, the SSC 401 is not based on a scan.

8.j. No, SSC 401 is not limited to full service. The dominant barcode in Full Service is the Intelligent Mail Barcode (IMb), but it is not exclusive. There are limited use cases that involve IMpb in conjunction with full service. However, full service is not a limitation for SSC 401.

8.k. No, there is no 'Basic' version of IMpb, there is only one version.

8.l. Yes, an authorized mailer/shipper includes SSC 401 in the electronic data in a shipping services or shipping partner file and it is electronically reflected in the data transmitted to USPS for the packages.

8.m. SSC 401 does not affect how packages are handled in processing.

8.n. There are no changes to how the packages with SSC 401 are handled under the proposed standards.

8.o. The mailer/shipper has the same visibility for an FCPS item with SSC 401 as packages of the same product class and preparation that travel through the postal network.

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8.p. The addressee has the same visibility through consumer channels for an FCPS item with SSC 401 as packages of the same product class and preparation that travel through the postal network.

8.q. There is no change to the visibility of items with SSC 401 for mailers/shippers under the proposed standards.

8.r. There is no change to the visibility of items with SSC 401 for addressees under the proposed standards.

8.s. A pdf associated with this response is included in USPS-LR-N2021-2-NP10.

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- 9.** Assuming that the Postal Service implements its proposal on or about October 1, 2021, as planned, does the Postal Service expect FCPS on-time service performance to meet or exceed the 95 percent target level for FY 2022?
- a. If yes:
 - i. Please discuss the basis that supports the Postal Service's assertion.
 - ii. Please discuss the level of confidence that the Postal Service has with its assertion.
 - b. If not:
 - i. Please explain the reason for the Postal Service's answer.
 - ii. Does the Postal Service plan to set an interim target that is lower than 95 percent on time for FY 2022? If yes, what is the interim target?

RESPONSE:

9. No, the Postal Service does not expect to meet or exceed the 95 percent target level for FY 2022.

9.a. N/A

9.b.i. The service standard change alone will not make the Postal Service capable of achieving the target. The implementation process of transportation changes and processing changes will progress into and throughout FY 2022. While significant shifts in transportation modes are expected to take place near the time of the proposed implementation, the adjustments to the current surface network will evolve through FY 2022. Package processing capacities are currently being addressed with additional space and machines; however, deployment of new package sorters is expected to extend through FY 2022.

9.b.ii. No, the Postal Service has set the target of 95 percent and will monitor progress towards achieving the goal as the transportation and processing network changes are implemented.

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- 10.** Has the Postal Service done any operational testing in the field of the proposed expanded reach of the 2-day service standard for FCPS? If yes, please describe the operational field test and the scale of the operational field test.

RESPONSE:

The Postal Service has not specifically tested the expanded reach of the 2-day service standard for FCPS.

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- 11.** Is any operational testing in the field planned for the expanded reach of the 2-day service standard for FCPS before implementing the proposed changes? If yes, please describe the planned operational field test and the scale of the planned operational field test? If none is planned, why not?

RESPONSE:

There is currently no plan to conduct operational testing prior to implementing the extended 2-day range of FCPS. Currently, the Postal Service is assessing any transportation changes that might be required to extend the reach by two hours. Once the assessment is complete, it will be decided if operational testing is necessary.

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- 12.** Please refer to USPS-T-1 at 1 n.4. The Postal Service states that “[e]ffective April 17, 2020, in response to issues concerning the COVID-19 pandemic, the Postal Service included an additional transportation day for FCPS.”
- a. How will the operational process differ if the proposal is implemented on or after October 1, 2021, compared to now?
 - b. Please confirm that if the proposal is implemented on or after October 1, 2021, doing so will replace (rather than add to) the additional transportation day added to the existing service standards for FCPS due to the COVID-19 pandemic.
 - i. If confirmed, when would the official changeover be implemented?
 - ii. If not confirmed, please state when the additional transportation day due to COVID-19 will be eliminated.

RESPONSE:

12.a. The operational process will not differ if the proposal is implemented on October 1, 2021, compared to now.

12.b. Not confirmed.

12.b.i. N/A

12.b.ii. The Postal Service cannot determine when the additional transportation day due to COVID-19 will be eliminated. The decision to eliminate the COVID-19 day will depend on operational capability.

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- 13.** For each fiscal year, please estimate the percentage by which on-time service performance for FCPS would have increased if the proposed standards had been in effect for FY 2017 through FY 2020. Please provide results for total FCPS volume, as well as results disaggregated by commercial versus retail FCPS.

RESPONSE:

Please see file "POIR No4 Q2 and Q13 - FCPS service perf current vs.

proposed(NP).xlsx", filed on today's date as part of Library Reference USPS-LR-N2021-

2-NP10. Note we do not have data for FY 2017 and FY 2018 available to support this

analysis.

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- 14.** Please refer to the discussion of CETs for FCPS appearing at USPS-T-1 at 8, lines 7-11, and at 14, lines 2-21.
- a. Under the proposed changes, please specify if CETs for facilities that process FCPS may differ based on location or if a national CET will be set.
 - b. Under the proposed changes, which Postal Service personnel/office(s) will be responsible for setting CETs for facilities that process FCPS?
 - c. What metrics will those personnel use to decide if a CET needs to be modified?
 - d. Will a specific threshold(s) or other criteria be used (*e.g.*, if performance drops lower than a predetermined percent on-time level) that will trigger re-evaluation of CETs? If so, please identify the threshold(s) or other criteria.

RESPONSE:

- 14.a.** This proposal does not include changes to national CETs.
- 14.b.** The national CETs are not impacted by this proposal.
- 14.c.** N/A
- 14.d.** N/A

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- 15.** Please refer to Docket No. N2021-1 Response to POIR No. 3,⁷ question 9. Please also refer to the Response to POIR No. 2,⁸ question 4. The Postal Service provides the following values for the actual Fiscal Year (FY) 2020 inter-Sectional Center Facility (SCF) surface network, adjusted to exclude transportation outside the model's scope in both the Docket No. N2021-1 proceeding and in the instant proceeding.

Number of daily trips		Number of daily mileages		Average trip distance		Capacity utilization	
N2021-1	N2021-2	N2021-1	N2021-2	N2021-1	N2021-2	N2021-1	N2021-2
6,308	9,616	2,406,448	1,966,466	381 miles	204 miles	39%	45%

- a. Please explain whether the transportation deemed outside the model's scope differs between the modeled networks that are the subject of the Docket No. N2021-1 proceeding and of the instant proceeding. In the provided explanation, please address, specifically, why the actual network, adjusted for outside of scope transportation, in the instant proceeding, includes about 50 percent more trips, about 20 percent fewer network mileages, and its average trip is about 50 percent shorter in distance.
- b. Please confirm that all modeling assumptions, constraints, site-specific operational nuances not accounted for in the modeling, and optimization instructions, are the same in the modeled networks subject of the two proceedings referenced in this question. If not confirmed, please list all differences (other than differing service standards and Critical Entry Times).

RESPONSE:

15.a. The analysis pulled for Docket No. N2021-1 was extracted directly from the USPS Surface Visibility (SV) database for the month of March 2021 alone. The data referenced in N2021-1 was filtered to retain trips that have at least one stop at a facility that was in the model. The mileage was estimated by summing the mileage for all legs for all trips and averaged over the month. The count of trips presented in N2021-1 is the

⁷ Docket No. N2021-1, Responses of the United States Postal Service to Questions Presiding Officer's Information Request No. 3, May 26, 2021 (Docket No. N2021-1 Response to POIR No. 3).

⁸ Responses of the United States Postal Service to Questions 1-15 of Presiding Officer's Information Request No. 2, July 8, 2021 (Response to POIR No. 2).

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number of unique Route-Trip combinations that operated on any given day averaged over the entire month. The average trip distance from N2021-1 is based on the total mileage divided by the total trips for the entire month. The Capacity Utilization is based on the load percentage metrics from SV across all the trips averaged for the entire month. N2021-2 is from TCSS FY 2020 Q4 and the overall utilization is based on TRACS. TCSS varies from SV in the following ways: TCSS provides scheduled transportation and mileage only, whereas SV captures actual transportation operated (scheduled, extras, and omitted service). In addition, SV data provides some level of detail around the types of mail loaded on each trip. The accuracy of SV data relies on scanning compliance to capture trips, utilization, and mileage correctly. TCSS will assume the scheduled transportation ran as expected with the scheduled miles.

15.b. Confirmed. Outside of modeling 6 days of data, modeling assumptions and constraints were not changed between model iterations. As stated, the only differences introduced were the proposed new service standards for FCPS.

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- 16.** Please refer to the Response to POIR No. 1,⁹ question 9. Please also refer to Library Reference USPS-LR-N2021-2-NP5, July 6, 2021, Excel file "Pref and NDC combined networks - potential benefit.xlsx," tab "NDC trip reduction." Please confirm that the Postal Service calculates the 28 percent reduction in inter-Network Distribution Center (NDC) trips/mileages by assuming an increase in capacity utilization from the current 47 percent to a target capacity utilization of 65 percent, rather than by analyzing relevant mail volumes, and their respective operating window constraints. If not confirmed, please explain. If confirmed, please explain why such analysis produces a realistic estimate of future savings from the consolidation of the two networks.

RESPONSE:

Confirmed. The analysis was provided as a high-level estimate of potential opportunity to reduce costs by sharing one surface network to move both NDC and First-Class products. It is reasonable to assume a similar network will need to remain in the future to support the current NDC products. It is also reasonable to assume the ability to share the surface network with both current end-to-end NDC products and First-Class mail will improve utilization of the end-to-end Marketing Mail, Periodicals, and Retail Ground network. Additional modeling will be initiated later as the planning around the NDC to RDC develops. Noting this potential benefit was intended to emphasize how the proposed service standard change will enable future network efficiencies.

⁹ Responses of the United States Postal Service to Questions 1-8.a, 9-11 of Presiding Officer's Information Request No. 1, July 6, 2021 (Response to POIR No. 1).

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- 17.** Please refer to the Response to POIR No. 2, question 2.b. The Postal Service explains that the discrepancy between the baseline network mileages and the distribution of the actual FY 2020 surface transportation costs between inter-P&DC, inter-Cluster, and inter-Area categories, was caused “in part” by not including “feeder to aggregate” trips/mileages in the presented summary of its analysis. The Postal Service further explains that it estimated the mileages for the “feeder to aggregate” trips outside of the model. Please provide additional information related to the “feeder to aggregate” transportation.
- Please provide the number of daily “feeder to aggregate” trips for each of the inter-P&DC, inter-Cluster, and inter-Area contract category and explain why this transportation was estimated outside the model. Please also explain whether the “feeder to aggregate” transportation represents inter- or intra-SCF transportation and whether it is provided by contracted or postal-owned vehicles.
 - The table below is a summary of the percentages of total FY 2020 surface transportation costs and baseline network mileages, as originally filed and as updated by the Postal Service to include “feeder to aggregate” transportation.

	Baseline network mileages, as originally filed	Baseline network which includes “feeder to aggregate” mileages	FY 2020 surface transportation costs
Inter-Area	78 %	75 %	72 %
Inter-Cluster	21 %	22 %	16 %
Inter-P&DC	1 %	4 %	12 %

The Postal Service explains that the omission of the “feeder to aggregate” transportation explains the discrepancy between the FY 2020 surface transportation costs and the modeled baseline network mileages (as originally filed) “in part.” To the extent possible, please explain the remaining discrepancy between the costs and the revised baseline network mileages.

RESPONSE:

- 17.a.** The identified ‘feeder to aggregate’ trips, separated by category, are as follows:

Category	Mileage	Trips
Inter-Area	5,482	39
Inter-Cluster	30,863	274
Inter-P&DC	47,983	495
Grand Total	84,328	808

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Feeder to aggregate trips are both PVS and HCR, however the trips identified in the table above are based on HCR.

17.b. The baseline model is an optimized solution and will produce a different trip distribution than the current-state. The model optimizes routings by utilizing multi-origin to single-destination routings and single-origin to multi-destination routings. The model produces routings that combine the inter-P&DC routings as trip legs, or part of inter-Cluster and inter-Area trips. In addition, the model does not include trips to move volumes to/from THS, trips to move MTE between facilities, or plant-to-plant shuttle trips to move volumes within a campus based on processing responsibilities.

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- 18.** Please refer to Library Reference USPS-LR-N2021-2-NP2, revised July 13, 2021, Excel file "10_3digit_FCPS_Private_REV_7.13.21.xlsx" (10_3digit FCPS Excel file), tab "All Pairs." Please provide an excel file, which includes all data from the above referenced excel file, and the following additional information:
- a. Distance, in miles, for each "ONASS" and "DNASS" pair (OD Pair),
 - b. Drive time, in hours, for each OD Pair,
 - c. First-Class Mail (FCM) volume for each OD Pair, currently included in the 10_3digit FCPS Excel file (*i.e.*, for those origin and destination facilities which have processing and sortation capabilities for all mail shapes),
 - d. For OD Pairs currently included in the 10_3digit FCPS Excel file, for which either the origin, the destination, or both the origin and destination facilities do not have processing and sorting capabilities for all mail shapes, please provide additional rows of data corresponding to 3-digit origin to 3-digit destination ZIP Code pairs,
 - e. Current FCM and proposed FCM service standard,
 - f. Current FCM and proposed FCM transportation mode.

The provided Excel file should account for total modeled daily FCM, FCPS, and pharmaceutical volumes.

RESPONSE:

Please see, file "POIR No4 Q18 Final.xlsx" filed on today's date as part of Library Reference USPS-LR-N2021-2-NP10.

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- 19.** Please refer to the Response to POIR No. 2, question 13.c. The Postal Service explains that each origin facility across the country makes separations, by product, to destination facilities. The Postal Service further clarifies that these separations are limited by the origin sortation equipment/capability and by sortation equipment/capability at each destination and can lead to special handling and routing of mail between the origin P&DC, parent Area Distribution Center (ADC), and the destination SCF.
- a. Please explain whether each OD Pair, provided in the 10_3digit FCPS Excel file referenced in question 18 above, might represent one or more routings, depending on separation and shape-based processing capabilities of origin P&DCs and destination SCFs.
 - b. Please explain whether the origin sortation equipment/capabilities currently prevent pairing of FCM and FCPS volumes at origin and explain how this will change under the proposed service standards for FCM and FCPS volumes. Please also describe all instances when such pairing would continue to not be possible, following the implementation of the proposed FCM and FCPS service standards. Please confirm that such circumstances were accounted for in the model.
 - c. Please explain whether the destination sortation equipment/capabilities currently prevent transporting FCM and FCPS volumes on the same trips and explain how this will change under the proposed service standards for FCM and FCPS volumes. Please also describe all instances when shared transportation would continue to not be possible following the implementation of the proposed FCM and FCPS service standards. Please confirm that such circumstances were accounted for in the model.
 - d. Following the Postal Service's response to question b. above, please describe the process the Postal Service will use to pair volumes processed in separate origin facilities. In the provided explanation, please include information on additional trips and mileages, as well as additional time requirements pairing of volumes from separate origin facilities would involve, and describe how these additional requirements were accounted for in the modeling.
 - e. Following the Postal Service's response to question c. above, please describe the process the Postal Service will use to enable sharing of truck space for volumes processed in one origin facility, but destined to separate destination facilities, on the basis of destination sites' sortation equipment/capabilities. Please describe how the associated additional network requirements were accounted for in the modeling.

RESPONSE:

19.a. Each pair might represent one or more routings between Origin and destination SCF, with some of the pairs overlapping onto the same routings. The different CETs for

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the products, cubic foot space requirements, and the location where the products are processed are factors in determining if products are paired.

19.b. In the current network, some capacity constraints of package processing may drive separate routings of mail and packages. Outside of timing limitations, the model was not restricted in any way that would prevent products from routing together, and it permitted products to be routed separately if the model determined it was more efficient. The model did not account for the late processing of packages due to the impact from the COVID pandemic. The organization is in the process of addressing the package processing issues by deploying additional equipment.

19.c. The destination sortation equipment / capabilities does not impact the routing. The different CETs for the products, cubic foot space requirements, and the location where the products are processed are factors in determining if products are paired.

19.d. The model assesses the solutions that require the least miles within the constraints of the model as described in the USPS-T-1 testimony. Volumes are paired via multi-stop routings that pick volumes from multiple origin facilities to a single destination. Also, the model consolidates volumes in origin aggregate sites fed by multiple origins, where volume is consolidated and/or cross-docked onto outbound trips. STCs are also consolidation points where multiple origin facilities with all products can be dispatched onto one outbound trip. All of these options are leveraged in the model and used when the model deems it the most efficient way to move the volume. The expanded transit windows enabled by the proposed service standard changes increase the opportunities to consolidate and pair volumes.

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19.e. Load sequencing is permitted where an origin loads volumes for up to three destinations to allow pairing of shape based volumes destined to separate facilities. As described above in response d, STCs also serve as consolidation points where an origin can load volumes for multiple facilities for improved utilization.

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20. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP10.

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7. Please refer to USPS-T-2 at 8. "If these preliminary estimates prove valid once more robust modeling efforts are completed, this optimization of the NDC network could result in an additional \$62 to \$116 million in savings."
- a. Please confirm that this savings estimate was calculated using assumed increases in capacity utilization. If confirmed, please explain how these estimates were developed. If not confirmed, please provide supporting workpapers.
 - b. Is the Postal Service doing or planning to do more analysis before implementing changes to the NDC network? If so, please describe the nature and scope of that additional analysis, and provide a timeline for the Postal Service plan to provide updated modeling of the NDC network changes.
 - c. Please provide a quantitative and qualitative discussion regarding the use of "more robust modeling efforts" in this context.

RESPONSE:

- a. Answered by witness Kim.
- b. The Postal Service is planning on modeling and analyzing the NDC network and combined NDC and FCM networks. This model will introduce the NDC end-to-end products into the FCM network model. Conceptually, volumes for the NDC network will flow STC to STC versus NDC to NDC. The effort is estimated to take approximately four to six months to complete and is expected to start by the end of FY2021.
- c. Answered by witness Kim.

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2. Please refer to USPS-T-1 at 13, lines 13-16. The Postal Service states that “[c]osts for local transportation currently average \$2.55 per mile, and typically range from \$1.70 per mile to as much as \$2.90 per mile. The cost of network surface transportation currently averages approximately \$2.20 per mile, and ranges from \$1.90 per mile to over \$3.00 per mile.”
- a. Please confirm that increase in utilization of surface transportation, including trucks filled closer to capacity, will cause an increase in fuel costs.
 - b. If confirmed, please provide the projected costs for local transportation and network surface transportation that reflect an increase in fuel costs. Please also explain why the Blue Yonder Transportation Modeler (TMOD) does not account for an increase in fuel costs.
 - c. If not confirmed, please explain.

RESPONSE:

2.a. Not confirmed.

2.b. N/A

2.c. Utilization is not a factor in HCR contract rates. Fuel cost is a factor, but is not dependent upon utilization. HCR contracts will charge the same for fuel for a 100 percent load and a 0 percent load.

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3. Please refer to USPS-T-1 at 17 lines 21-23, and at 18, lines 1-2. The Postal Service states that "[t]he reduction in airline assignments and associated handling at origin, plus the reduction in sack handling at destination, is expected to improve efficiencies in the processing centers. This efficiency gain is expected to reduce workhours, but not to a degree anticipated to impact employee complement."
- a. Please confirm that the Postal Service has not provided any analysis of mail processing cost savings expected to result from the proposal.
 - b. If confirmed, please discuss the benefits of achieving efficiency gain from the reduction of workhours without associated cost savings.
 - c. If not confirmed, please provide an analysis demonstrating the calculations for expected mail processing cost savings.

RESPONSE:

3.a. Confirmed

3.b. The Postal Service could expect improvements in efficiencies which would translate into a reduction of workhours and costs, even where the volume of reduced workhours does not result in a reduced complement. Analysis around the expected reduction in workhours and costs was not estimated or included in this docket. The focus of this proposal is on the transportation and service benefits.

3.c. N/A

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4. Please refer to USPS-T-1 at 20, lines 4-16. The Postal Service states that "[p]ackage volume was derived from the Postal Service's Product Tracking & Reporting (PTR) System. The second highest Wednesday volume from October 2020 was selected. The Postal Service observed unprecedented growth in package volumes during the pandemic, and it was believed that a significant portion of that volume would remain after the end of the pandemic. Package volume trends were monitored and appeared to stabilize in the September and October timeframe, and October was selected for a representative volume for packages. All other volume in the model is based on March 2019 WebODIN (renamed from ODIS) data that is a monthly total by Origin 3-digit ZIP Code, Destination 3-digit ZIP Code, class, and shape. FCPS volumes were compared and scaled to match the USPS monthly Revenue & Volume Comparison (RVC) report for March 2020. March is historically an average month in the seasonal mail volume cycle and is not skewed by holiday impacts. The volume used for the modeling represents the second-highest Wednesday in the month of March."
- a. Please explain the reason(s) for the decision to use different time periods for FCPS package volume and other FCPS volume in the model.
- b. Please explain the reason(s) for the decision to use the second-highest Wednesday instead of the average Wednesday for modeling.
- c. Please explain why the Postal Service determined that a single month was sufficient for modeling year-round trends. Please include a discussion on the potential shortcomings of the model for not accounting for the holiday months.
- d. Please discuss how transportation assignments and transportation costs vary between average volume periods and peak load periods. Please explain how applicable the transportation modeling that uses March and October volumes is for the months of November and December.

RESPONSE:

4.a. As mentioned, March is typically a representative timeframe for an average period of the year and was selected for the letters and flats volume. In FY 2020, packages did not follow a historic seasonal trend due to the COVID pandemic, and therefore selecting March for packages as well would not have been a fair representation of expected volumes. Package volume projections appeared to stabilize, or plateau in September and October of 2020, and for that reason, October 2020 was

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selected for pulling package volume data. October would not have been representative of an average period for letter and flat volume due to the impact from the election.

4.b. The second highest Wednesday was used to be more conservative on the volume figures. The average will be slightly less than the second highest Wednesday and might understate volumes.

4.c. Using a typical month to plan daily transportation is more likely to align with typical daily operations. The intent was to mitigate the risk of overstating or understating volumes and transportation requirements. This transportation would be appropriate for the typical days the Postal Service expects to experience most of the time. The Postal Service has separate planning for peak season and holidays, independent of the model. Not modeling the year-round transportation would potentially make comparisons to actual annual transportation costs somewhat more difficult.

4.d. As stated in 4c, the Postal Service regularly experiences a spike in demand during the peak season months. As a result, the Postal Service has planning teams that establish temporary supplemental transportation to accommodate the added demand. The transportation in place today satisfies the average demand through most of the year. At the start of the peak period at the end of November and through December, substantial peak transportation lanes are put in place to cover the additional volumes in the air network, local and long-haul surface networks.

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5. Please refer to Responses to POIR No. 2, question 14.b. The Postal Service states that "Special Service Code (SSC) 401 is an optional code employed to identify [the] pharmaceutical volume. FCPS volume with this SSC in the data set used to identify pharmaceutical volume between pairs and determine the percentage impacted by the proposed service standard change."
- a. Please discuss whether the Postal Service has considered excluding pharmaceutical mail from the proposed service standard change.
 - b. Please discuss the operational feasibility of excluding pharmaceutical mail from the proposed service standard change.

RESPONSE:

5.a. To my knowledge, excluding pharmaceuticals from the service standard change was not considered.

5.b. Pharmaceutical shippers could upgrade to Priority Mail service to increase the speed of shipping, where necessary. Creating a separate service standard for pharmaceuticals could be possible, but would essentially create a separate product, priced the same as FCPS but following a faster, more expensive network path. Separating pharmaceuticals from the FCPS population would increase costs and require separate handling at Origin (i.e. dedicated machines) to prevent it from following the FCPS network.

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6. Please refer to USPS-T-1 at 23, lines 4-5, and lines 13-15. The Postal Service states that "PC*Miler uses the road speed limits to determine transit time and does not currently adjust for traffic." The Postal Service also states that "[w]hile optimizing routings, the model checks proposed routings against the ART file to ensure they are valid and determine whether a tariff is applied to influence desired routing behavior."
- a. Please discuss the potential impacts of not adjusting for traffic in the model.
 - b. Does the Postal Service monitor the effect of traffic on travel time? If yes, please explain why this data is not used in the model to reflect a more realistic travel time. If no, please explain why this data is not collected.
 - c. Please define "tariff" and ART file.
 - d. Please give a quantitative and qualitative example of a "tariff" in the context of influencing routing.
 - e. Please explain what potential tariffs the Postal Service applies to influence desired routing behavior.

RESPONSE:

6.a. Impacts are mostly isolated to major metro areas where traffic would cause shorter distances to take a significantly larger portion of time to travel. Trips that travel longer distances are less likely to be impacted by traffic when accounting for the overall trip. Given that the majority of current and future state mileages are in the inter-area categories which tend to be longer distances, the overall impacts would be less likely to impact the projections. Local transit speeds were included in the model for areas in the Northeast. The transit times were provided based on contracted speeds and compared to transit speeds in PC*Miler.

6.b. The Postal Service will account for traffic and transit speed constraints when developing plans if it is a known route with existing trips to reference. Suppliers negotiate travel times if they feel the proposed plan does not account for adequate time.

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After a contract has been awarded, the performance is monitored and the trip departure and arrival times are adjusted, if warranted.

6.c. The term "tariff" simply refers to set of rates and paths of travel that the model is allowed to use when determining the routings. The model cannot build a routing without an associated cost and lane. An extreme example would be trying to make a routing from California to Hawaii using a surface tariff. That lane would not be defined as a valid path of highway travel, so it could not be built. The ART file is an access database with a graphical user interface that houses all of the tariffs and allows users to interact and modify them when needed.

6.d. An example tariff would be one that is set up to prevent hubs from servicing a site outside the 8-hour reach of an STC. To encourage the desired behavior, a tariff was set up with a typical rate per mile to apply to transportation servicing all sites within 8-hours of the hub, and a second rate that applies a tremendous cost penalty to the model lane for trips that go beyond the 8-hour reach. This influences the model to limit hub routings to destinations within 8-hours:

Hub	Destination Distance	Rate per mile
Hub A	<= 8 hours	\$2.50
Hub A	> 8 hours	\$99,999

6.e. See response above to question 6d.

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7. Please refer to USPS-T-1 at 28, lines 7-9. The Postal Service states that "Origin Dispatch of Values (DOVs) were based on 95th percentile machine end times, plus an additional 90 minutes for dispatch preparation and staging, or 03:30, whichever was earlier."
 - a. Please explain what is meant by "95th percentile machine end times."
 - b. Please discuss how the Postal Service prepared the source data used to calculate machine end times, for example, any data cleaning methods that removed observations.
 - c. Please discuss how sensitive the model is to changing the machine end times to the 90th percentile instead of the 95th percentile.
 - d. Please provide the source for the assumption that 90 minutes is an appropriate amount of time for dispatch preparation and staging. For example, what percentage of routes would not run on time if the model used the 90th percentile machine run end times instead of the 95th percentile machine run end times?
 - e. Please provide a discussion of whether the use of 90 minutes for dispatch preparation and staging applies to each and every facility and processing operation or whether the time for dispatch preparation and staging varies by facility and/or processing operations (e.g., letters versus parcels).
 - f. Please provide the data sources used to calculate the estimate of 90 minutes for dispatch preparation and staging.

RESPONSE:

- 7.a.** a. All outgoing machine end-times for a period of time were pulled by site and ranked by end-time. The 95th percentile end-time was selected to estimate a time when volume was available 95 percent of the time during that period.
- 7.b.** Machine end-times were pulled from EOR for operation numbers associated with outgoing processing. A 4-week period from October 12, 2019 through November 8, 2019 was selected and Sundays and October 15, the day after Columbus Day, were excluded. PSS ring scans and NMO sorters were excluded from the data set, as they represent manual operations or the hybrid operations where both outgoing and incoming could be represented in the data. The latest clearing operation time was

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selected by day, and the 95th percentile time was selected, or typically the second latest time.

7.c. The model itself is sensitive to times but given the slack time built into the network, it is less likely that shifting departure times forward or backwards would have a significant impact on the results.

7.d. Subsequent operations are required after the primary outgoing machine operations are completed, such as outgoing secondary, and manual processing of non-machinable volumes and machine reject flows. Operating plans traditionally allow for 30 minutes to complete secondary operations, and 30 minutes for manual operations, and another 30 minutes to collect and transport volumes from those operations to the dispatch operations. It is critical for mail operations to maintain timely down-flows and coordination to achieve these target clearance times for subsequent operations. Selecting an earlier availability time would reduce mileage, as it would increase the transit window. Modeling earlier dispatch times would not cause routes to become unrouteable.

7.e. 90 minutes was added to the 95th percentile end time for all facilities.

7.f. The 90 minute time was not calculated. It was selected based on historic operating plans and input and agreement from stakeholders.

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8. Please refer to USPS-T-1 at 31, lines 14-18. The Postal Service states that "TMOD offers a variety of ways to approach many of our business rules, and seemingly small changes can sometimes have large unexpected impacts on the results due to the heuristic nature. To ensure we are using the best solution, each model is run multiple times to ensure similar results are obtained."
- a. Please identify and describe the "small changes" tested on the model that yielded "large unexpected impacts."
 - b. Please confirm that factors not accounted for in the model, such as fluctuations in fuel cost, traffic, and existing service standards of other mail products such as Priority Mail, may have large unexpected impacts on the results. If not confirmed, please explain.

RESPONSE:

8.a. One example of changes that were tested was the number of stops allowed in the model. Adding the ability to select 2-stop routings significantly reduces mileage. The mileage reduction benefits of adding stops beyond three quickly diminishes. Also, different transit hour reaches were tested from the STCs.

8.b. Not confirmed. Priority Mail service is accounted for in the model. Traffic, or reduced transit speeds between lanes may have an impact, however most lanes are currently planned using similar speeds. Fluctuating fuel costs could have an impact on the savings estimates; however, as the cost of fuel increases for surface transportation, it would similarly impact air transportation. The modeling was intended to identify opportunities to reduce trips and mileage under different service standard scenarios, and help assess opportunity to transport volumes in the lowest cost transportation using service responsive modes of transportation.

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PRESIDING OFFICER'S INFORMATION REQUEST NO. 7**

1. In Docket No. N2021-1, the Postal Service provided an analysis of the effects of the proposed service standards on urban and rural areas.¹⁰
 - a. Please provide a similar analysis for all FCPS volume for urban and rural areas, identifying the percentage of urban or rural mail volume that will stay the same, experience a service upgrade, and experience a service downgrade. If the Postal Service cannot provide such data, please explain why not.
 - b. Please provide a disaggregated analysis showing the data requested in subpart a. for FCPS-Retail volume only. If the Postal Service cannot provide such data, please explain why not.

RESPONSE:

a.-b. Please see "NonPublic POIR No7 Q1 - Urban Rural_v1.xlsx" filed under seal on today's date as part of Library Reference USPS-LR-N2021-2-NP16. Please note that this is an estimated impact based on applying percentages of urban and rural delivery points to the volumes originating and/or destined to each 3-digit ZIP area.

¹⁰ See Docket No. N2021-1, Direct Testimony of Stephen B. Hagenstein on Behalf of the United States Postal Service, April 21, 2021, at 24.

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2. Does the Postal Service perform root cause analysis of service performance failure for FCPS?
- a. If so, please provide the root cause analysis performed, citing any available quantitative or qualitative analysis conducted. If there are separate root causes for retail and commercial FCPS, please identify what materials are available with such separation, and provide them.
 - b. If the Postal Service does not perform such analysis, please explain and provide any available quantitative or qualitative analysis previously conducted by USPS, that can provide a comprehensive explanation for all common reasons why FCPS fails to meet service standards and how these reasons might differ for the commercial and retail segments.

RESPONSE:

- a. Yes, the Postal Service has root cause analysis for FCPS. Informed Visibility (IV) has various reports and analytical tools, including a Package Processing Performance module, that facilitate investigations into service performance and root cause analysis. Please see "POIR No7 Q2 - FCPS root cause failures - FY20 - NP.xlsx" filed under seal on today's date as part of Library Reference USPS-LR-N2021-2-NP16.
- b. Not applicable.

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1. Please refer to Responses to Presiding Officer's Information Request No. 4, question 9.b.i. The Postal Service states that "[t]he service standard change alone will not make the Postal Service capable of achieving the [95 percent on time] target" for FY 2022. Please quantify how much the service standards would improve solely due to the proposed changes.

RESPONSE:

Given no changes other than the proposed service standard change, a service improvement ranging from 1.95 points to 5.74 points could be expected to FCPS based on the analysis results from POIR No. 4, question 2. This reflects the service performance point improvement range calculated by quarter from FY 2019 and FY 2020. Please see file: "NP - POIR No8 Q1 - FCPS service perf current vs. proposed.xlsx" filed on today's date as part of Library Reference USPS-LR-N2021-2-NP19.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 10**

1. Please refer to the Postal Service's response to Presiding Officer's Information Request No. 7, question 2,¹¹ in which the Postal Service submitted USPS-LR-N2021-2-NP16, Excel file "POIR No7 Q2 - FCPS root cause failures - FY20 - NP.xlsx."
- a. Please provide definitions and the hierarchy for assignment and assessment for the full set of root causes for First-Class Package Service (FCPS), including each type of "Root Cause" appearing in this Excel file.
- b. The following 13 root causes that account for approximately 90 percent of the failures. Please provide, in addition to the definition, a paragraph of operational explanation for the following 13 root causes:
 - i. DeliveryFailure
 - ii. AcceptToOPDCNextDayAfterNoon
 - iii. Hub1Failure
 - iv. PlacardNotInTOPS
 - v. Missort
 - vi. ADC2MissentToOrigin
 - vii. MissentWrongDDU
 - viii. ClosedOnTimeLoadedLateNotOnIntendedTrans
 - ix. AirPCInSurfaceContainer
 - x. ADCOnTimeAAUFirmFailure
 - xi. OriginPDCToNMOFailure
 - xii. OutofNetworkMissentToOrigin
 - xiii. OPDCOnTimeNoADCScanSCFFailure
- c. Please confirm that these data refer to the amount (number of percentage points) by which on-time performance decreased due to each specific root cause of failure. If not confirmed, please explain.
- d. Please confirm that a root cause failure indicator is not assigned to a FCPS piece that is delivered within its applicable service standard. If not confirmed, please explain.
- e. Please confirm that no more than one root cause failure indicator is assigned per FCPS piece. If not confirmed, please explain.

¹¹ Responses of the United States Postal Service to Questions 1-5 of Presiding Officer's Information Request No. 7, question 2, July 29, 2021.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 10**

RESPONSE:

- 1.a.** Please see the attached file: "NP-POIR10-Root.Cause.FCPS.xlsx", tab "Q1a - Full List", filed on today's date as part of Library Reference USPS-LR-N2021-2-NP20.
- 1.b.** Please see the attached file: "NP-POIR10-Root.Cause.FCPS.xlsx", tab "Q1b - Spec w Oper Explan", filed on today's date as part of Library Reference USPS-LR-N2021-2-NP20.
- 1.c.** Confirmed.
- 1.d.** Confirmed.
- 1.e.** Confirmed.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 10**

2. Please refer to the Postal Service's response to Chairman's Information Request No. 1 in Docket No. ACR2020.¹² In it, the Postal Service provided an Excel attachment that had the definitions of the root causes affecting First-Class Mail (FCM). Please draw parallels, where applicable, to the root cause terminology for in FCM and FCPS in order to facilitate understanding of these terms.

RESPONSE:

Root Cause Methodology for Packages:

- To determine the root cause for packages, we always start at the end of the process;
- If a package is late, we start at the stop the clock event and look backward in time to determine where the last on-time scan occurred;
- Once we know this, we can look forward and assign a root cause accordingly;
- Major categories are called Root Cause Types and consist of Origin, Transit, Destination, Delivery and Other;
- Root Causes represent a finer breakdown of Root Cause Types and allow for a more precise determination of where/when/why late pieces happened;
- There are nearly 150 different Root Causes.

For both FCM and FCPS:

- where it shows Origin in the hierarchy (FCM) and Origin as the Root Cause Type (RCT), this indicates the originating facility was assigned the reason for the delay;

¹² Docket No. ACR2020, Responses of the United States Postal Service to Questions 1-38 of Chairman's Information Request No. 1, question 20, January 19, 2021.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 10**

- where it shows Transit in the hierarchy (FCM) and Transit as the RCT, this indicates that processing was on time when last processed at the originating facility but late when it was first processed at the destination facility;
- where it shows DPS, Destinating or AADC in the hierarchy (FCM) and Destination as the RCT, this indicates that the destinating facility was assigned the reason for the delay;
- where it shows Other in the hierarchy (FCM) and Other as the RCT, this indicates there is not enough scan information to determine a root cause.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO
INTERROGATORIES OF THE PUBLIC REPRESENTATIVE**

PR/USPS-T1-1. Please refer to USPS-T-1, at 2, lines 20-22. Witness Hagenstein states that “[w]hile some surface transportation schedule changes would be necessary, current average utilization of surface transportation capacity is approximately 42 percent.”

- a. If possible, please provide a percentage breakdown of current utilization by competitive products, including First-Class Package Service.
- b. If possible, please provide a percentage breakdown of expected utilization by competitive products, including First-Class Package Service.

RESPONSE:

1.a. Based on the average Inter-SCF utilization (45 percent) and the percent of Inter-SCF cubic-foot-miles attributed to domestic competitive products as measured by TRACS, a reasonable estimate is that in FY20, 26.1 percent of total space on Inter-SCF transportation was used by domestic competitive products. The detail on current utilization for individual domestic competitive products is filed under seal as part of USPS-LR-N2021-2-NP7.

1.b. Please see the response filed under seal as part of USPS-LR-N2021-2-NP7.

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO
INTERROGATORIES OF THE PUBLIC REPRESENTATIVE**

PR/USPS-T1-2. Please refer to USPS-T-1, at 4, lines 3-7. Witness Hagenstein states that “[r]educing First-Class Mail and Packages from the air network will also result in a reduction of costly ad hoc charter flights currently utilized to help cover capacity shortfalls in the current air network. An estimated 14 to 48 percent reduction in the number of air charters may be possible depending on the final volume of the lanes identified to shift from air to surface transportation.”

- a. Please provide data on air and surface costs for First-Class Package Service for Fiscal Years (FYs) 2017 through 2020.
- b. Please provide data on First-Class Package Service pounds flown for FYs 2017 through 2020.
- c. Please provide data on air charters for FYs 2017 through 2020.
- d. What percent of First-Class Package Service is currently included in chartered flights?
- e. What percent of First-Class Package Service is anticipated to be included in chartered flights under the proposed service standard changes?

RESPONSE:

- 2.a.** Please see the response filed under seal as part of USPS-LR-N2021-2-NP7.
- 2.b.** Please see the response filed under seal as part of USPS-LR-N2021-2-NP7.
- 2.c.** Please see the response filed under seal as part of USPS-LR-N2021-2-NP7.
- 2.d.** The Postal Service does not have visibility into the products that are transported on charter flights versus the regularly planned air network.
- 2.e.** See response to question 2.d., above.

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO
INTERROGATORIES OF THE PUBLIC REPRESENTATIVE**

PR/USPS-T1-3. Please refer to USPS-T-1, at 14, lines 9-12. Witness Hagenstein states that “[i]f the volume of mail and/or packages on a particular lane is insufficient to justify the cost of surface transportation, or if surface transportation is too time-consuming to permit the Postal Service to meet applicable service standards, then the Postal Service transports that volume by air.”

- a. Please identify instances or specific lane(s) where the volume of mail or packages were insufficient to justify the cost of surface transportation and the Postal Service had used air transportation.
- b. Please confirm whether performance targets were achieved in the lane(s) identified in question 3.a. when changes were made from surface to air.
- c. If question 3.b. is not confirmed, please explain.
- d. Please confirm whether the above statement will still be applicable under the proposed service standard changes to First-Class Package Service.
- e. If question 3.d. is not confirmed, please explain.

Response:

3.a. One example is FCM from Ft. Myers FL to Oklahoma City OK and Tulsa OK were both changed from surface to air transportation due to low volumes and the ability to eliminate a surface trip. The average volume from origin to each destination was under 300 pieces per day. The estimated volume shifted to the air network was projected to be under 30 pounds per week assigned to each destination.

Please see file “Q3a - Surface Eligibility File.xlsx” in USPS-LR-N2021-2-NP7 for a list of Origin and Destination pairs that are Air but eligible for Surface transportation. We do not have information readily available with respect to when or if these lanes changed mode.

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3.b.

Fort Myers to Tulsa and Oklahoma City FCM Letters and Flats
From IV MPP FY20 through FY21 YTD through 7/13/2021

FY	PQ	Description	Failed Pieces	Total Pieces	On Time %
21	Q4 QTD*	AIR	2	168	98.80%
21	Q3	AIR	138	1,208	88.60%
21	Q3	SURFACE	30	97	69.10%
21	Q2	SURFACE	877	2,596	66.20%
21	Q1	SURFACE	178	1,267	86.00%
20	Q4	SURFACE	84	1,564	94.60%
20	Q3	SURFACE	23	1,530	98.50%
20	Q2	SURFACE	218	1,770	87.70%
20	Q1	SURFACE	158	3,453	95.40%

3.c. The Postal Service does not have data readily available of service performance of lanes that shifted from surface to air due to low volume.

3.d. Confirmed.

3.e. N/A

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INTERROGATORIES OF THE PUBLIC REPRESENTATIVE**

PR/USPS-T1-4. Please refer to USPS-T-1 at 17, lines 14-23 and at 18, lines 1-2, in the section titled "Proposed Mail Processing Changes."

- a. What percent of First-Class Package Service will be containerized into pallet boxes and staged for dispatch on surface transportation?
- b. What percent of First-Class Package Services will be in sacks?
- c. Please provide data on current and proposed sack handling at destination for First-Class Package Service.

Response:

4.a. 73.3 percent of volume is proposed to be containerized into pallet boxes and staged for surface transportation.

4.b. 26.7 percent of volume is proposed to be in sacks.

4.c. Under the proposal, the percentage of FCPS that will be handled via sacks will change from 37.2 percent to 26.7 percent.

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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO INTERROGATORIES OF THE PUBLIC REPRESENTATIVE

PR/USPS-T1-5. Please refer to USPS-T-1 at 22, lines 5-8. Witness Hagenstein states that “[t]his model assumes the average [All Purpose Containers (APC)] would be 75 percent full. Volume requiring more than a 75 percent full APC was rounded to the next highest number of containers. For example, if a lane converts piece volume to 1.2 APCs, this was modeled as 2 APCs.”

- a. Please explain the rationale for the assumption described above.
- b. Please explain whether any other assumptions were considered, *e.g.* 90 percent full APC.
- c. Please confirm that the rounding described would not lead to a significant over estimation of the number of APCs.
- d. If question 5.c. is not confirmed, please explain.
- e. What are the cost or other implications for an incremental number of containers at 75 percent full compared to a reduced number of containers at 90 percent full?

Response:

5.a. The assumption was formulated after receiving input from focus groups and based on the fact that multiple operations in processing centers create containers for the same destination. The container generated in each operation will not be full, and it is assumed that some consolidation can take place prior to dispatch. Operations are instructed to dispatch containers 75 percent full for dispatch on early trips, prior to the Dispatch of Value. Filling APCs to the theoretical maximum capacity is possible, however not probable. This assumption, in turn, produced a more conservative number of containers loaded onto trips rather than fewer containers at 100% full which may not be operationally feasible.

5.b. Additional assumptions regarding APCs were discussed and considered during the review with the focus groups. Based on feedback and agreement from the stakeholders in the focus groups, it was decided to model using the 75 percent full assumption.

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5.c. The rounding of containers will not result in a significant impact to the designed transportation since 1.2 and 2 APCs will require the same floorspace in a truck. Using whole number APCs prevents the model from over-filling transportation based on fractional containers.

5.d. N/A

5.e. Implications of modeling more containers would be increased demand for transportation, increased surface mileage and cost. However, the implications of assuming APCs would be filled to 90 percent capacity would certainly lead to an underestimation in required transportation, mileage and cost.

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO
INTERROGATORIES OF THE PUBLIC REPRESENTATIVE**

PR/USPS-T1-6. Please see Attachment, filed under seal.

Response:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP7.

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO
INTERROGATORIES OF THE PUBLIC REPRESENTATIVE**

PR/USPS-T1-7. Please see Attachment, filed under seal.

Response:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP7.

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO
INTERROGATORIES OF THE PUBLIC REPRESENTATIVE**

PR/USPS-T1-8. Please see Attachment, filed under seal.

Response:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP7.

REVISED: 7/19/2021

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO
THE PUBLIC REPRESENTATIVE'S SECOND SET OF INTERROGATORIES AND
REQUESTS FOR PRODUCTION**

PR/USPS-T1-9. Please refer to USPS-T-1 at 4, lines 14-22 and at 5, lines 1-2. Witness Hagenstein states that “the proposed service standard change supports the transition of the Network Distribution Centers (NDCs) to Regional Distribution Centers (RDCs), dedicated to package processing as outlined in the 10-year Plan, Delivering for America.”¹³ Witness Hagenstein then states that after the “coast-to-coast First-Class surface network is established, the current NDC-to-NDC network will be consolidated into the preferential surface network. This consolidation is estimated to reduce between 14 and 28 percent of the current inter-NDC trips and between 6 and 8 percent of the intra-NDC trips.”

- a. Please explain the time line for the transition from NDCs to RDCs and the annual estimated cost savings.
- b. Please explain how this time line fits into your projected 14 to 28 percent reduction in Inter-NDC network trips and a 6 to 8 percent reduction in Intra-NDC network trips.

RESPONSE:

9.a. The timeline for transitioning from NDCs to RDCs is in development. The cost savings analysis and estimates are also still under development.

9.b. The timeline for consolidating the two surface networks is not yet established.

¹³ See United States Postal Service, Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence, March 23, 2021 (Postal Service's Strategic Plan), at 3, available at, https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS_Delivering-For-America.pdf.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO
THE PUBLIC REPRESENTATIVE'S SECOND SET OF INTERROGATORIES AND
REQUESTS FOR PRODUCTION**

PR/USPS-T1-10. Please see Attachment, filed under seal.

RESPONSE:

10. Please see the response filed under seal as part of USPS-LR-N2021-2-NP12.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
HAGENSTEIN TO INTERVENOR STEVE HUTKINS' INTERROGATORIES**

SH/USPS-T-1-1. Please confirm that before the changes made on April 17, 2020, the average delivery time (calculated based on volumes and service standards, not actual performance) for First Class Package Services was approximately 2.79 days. If not confirmed, please explain and/or provide the correct number.

RESPONSE:

Confirmed that the average *expected* delivery time (calculated based on volumes and service standards, not actual performance) was approximately 2.79 days.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
HAGENSTEIN TO INTERVENOR STEVE HUTKINS' INTERROGATORIES**

SH/USPS-T-1-2. Please confirm that the revised service standards for First-Class Package Service that went into effect on April 17, 2020, added one day to the regular standards, so that the average delivery time (based on volumes and service standards) increased to approximately 3.79 days.¹⁴ If not confirmed, please explain and/or provide the correct number.

RESPONSE:

Confirmed with respect to the average *expected* delivery time.

¹⁴ USPS Industry Alert stating, "U.S. Postal Service Priority Mail products and First-Class packages may require more time to be delivered due to limited transportation availability as a result of the ongoing Coronavirus Disease (COVID-19) impacts to the United States.... First-Class Package Service (FCPS) two- and three-day service commitments will also be extended to three and four days respectively." Available at <https://postalpro.usps.com/node/8016>.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
HAGENSTEIN TO INTERVENOR STEVE HUTKINS' INTERROGATORIES**

SH/USPS-T-1-3. Please confirm that the revised service standards for First-Class Package Service that were implemented on April 17, 2020, are still in effect because the conditions that made the extension necessary (such as "limited transportation availability" due to the pandemic) continue to impact operations. If not confirmed, please explain.

RESPONSE:

Confirmed.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
HAGENSTEIN TO INTERVENOR STEVE HUTKINS' INTERROGATORIES**

SH/USPS-T-1-4. Please confirm that under the proposed changes in service standards, average delivery time (based on volumes and service standards) for First Class Package Services will be approximately 3.2 days. If not confirmed, please explain and/or provide the correct number.

RESPONSE:

Confirmed with respect to the average *expected* delivery time.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
HAGENSTEIN TO INTERVENOR STEVE HUTKINS' INTERROGATORIES**

SH/USPS-T-1-5. If the Postal Service implements the proposed service standards on October 1, 2021, or sometime soon thereafter, please explain how it will be able to reduce the average delivery time from 3.8 days to 3.2 days, even as it continues to deal with pandemic-related issues.

RESPONSE:

The timeframe to eliminate the extra day added to packages has not been determined.

With respect to the average *expected* delivery time, the difference between the 3.8 days calculated with one-day added and the 3.2 days is simply based on a calculation and does not compare current and expected actual days to deliver under the proposed service standards. With respect to service performance, in addition to the proposed service standard change, several initiatives are in process to improve the process capability of FCPS, including increasing package processing equipment capacity, staffing, and space.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
HAGENSTEIN TO INTERVENOR STEVE HUTKINS' INTERROGATORIES**

SH/USPS-T-1-6. Please confirm that under the proposed changes to service standards, for SCF Santa Ana CA 927, the average delivery time (based on volumes and service standards) would increase from approximately 2.88 days to 4.1 days. If not confirmed, please explain and/or provide the correct numbers.

RESPONSE:

Confirmed with respect to the average *expected* delivery time.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
HAGENSTEIN TO INTERVENOR STEVE HUTKINS' INTERROGATORIES**

SH/USPS-T-1-7. Please confirm that under the proposed changes to service standards, for SCF Portland OR 970, the average delivery time (based on volumes and service standards) would increase from approximately 2.88 days to 4.03 days. If not confirmed, please explain and/or provide the correct numbers.

RESPONSE:

Confirmed with respect to the average *expected* delivery time.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
HAGENSTEIN TO INTERVENOR STEVE HUTKINS' INTERROGATORIES**

SH/USPS-T-1-8. Please confirm that under the proposed changes to service standards, for SCF Seattle WA 981, the average delivery time (based on volumes and service tandards) would increase from approximately 2.79 days to 3.78 days. If not confirmed, please explain and/or provide the correct numbers.

RESPONSE:

Confirmed with respect to the average *expected* delivery time.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
HAGENSTEIN TO INTERVENOR STEVE HUTKINS' INTERROGATORIES**

SH/USPS-T-1-9. Please refer to Library Reference USPS-LR-N2021-2_4 - Model Results, 10_3digit_FCPS_Public_REV_7.13.21, tab "All Pairs," column H ("Pharma").

- a. Please confirm that the numbers in column H total approximately 164,560. If not confirmed, please explain and/or provide the correct total.
- b. Please confirm that of this total for column H, under current service standards, 52,350 pieces fall under a two-day standard, and 112,210 pieces fall under a three-day standard. If not confirmed, please explain and/or provide the correct totals.
- c. Please confirm that of this total volume for column H, under the proposed service standards, 74,843 pieces would fall under a two-day standard, 63,064 pieces under a three-day standard, 24,313 pieces under a four-day standard, and 2,341 pieces under a five-day standard. If not confirmed, please explain and/or provide the correct totals.

RESPONSE:

- 9.a.** Confirmed.
- 9.b.** Confirmed.
- 9.c.** Confirmed.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
HAGENSTEIN TO INTERVENOR STEVE HUTKINS' INTERROGATORIES**

SH/USPS-T-1-10. Please refer to Library Reference USPS-LR-N2021-2_4 - Model Results, 10_3digit_FCPS_Public_REV_7.13.21, tab "All Pairs."

- a. Please confirm that the numbers in Column H ("Pharma") represent a subset of the numbers in Column G ("Volume").
- b. If confirmed, please explain how, for some origin-destination pairs, the numbers in Column H are greater than the numbers in Column G. (For example, for origin- destination pair 981-531, the volume in Column G is 18.0852 and the volume in Column H is 42.2646.)
- c. If not confirmed, please explain the relationship between Columns G and H.

RESPONSE:

10.a. Confirmed.

10.b. The pharmaceutical volumes were pulled for the entirety of FY 2020 by origin and destination site, not at a 3-digit ZIP level, and a median day selected. To include the pharmaceutical volumes in the 3-digit ZIP file, the volumes were distributed evenly to each 3-digit ZIP within each origin and destination pair. In some cases, this distribution caused an individual 3-digit ZIP's volume to appear greater for pharmaceuticals.

10.c. N/A

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 11**

1. Has the Postal Service faced any challenges in acquiring sufficient surface transportation for FCPS during the COVID-19 pandemic to meet its surface transportation needs? If yes, what were these challenges and how did the Postal Service resolve them?

RESPONSE:

Yes, the Postal Service faces similar issues resulting from driver shortages.

When scheduled service is omitted, the site will utilize alternative routings that can be used to transport the volumes to the destination. In cases where no alternate routings are available, and volume warrants, exceptional service is arranged to move mail volumes. Continued efforts are underway to eliminate unnecessary trips and ease burdens on the network and reduce costs. The proposed service standard changes will expand the transportation window for many lanes, creating a buffer to absorb delays currently caused when arranging go-anywhere transportation to cover omitted service.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 11**

2. Does the Postal Service expect to face any challenges in acquiring sufficient surface transportation for FCPS after the proposal is implemented?
 - a. If yes, please explain what challenges are expected and how does the Postal Service plan to resolve them.
 - b. If no, please explain the basis for the Postal Service's expectation.

RESPONSE:

- 2.a. The ability to reduce network mileage and trips by increasing routing efficiencies attributed to the proposed service standard change provides a measure of mitigation against market conditions in the trucking industry. Although HCR suppliers are currently having difficulty retaining and hiring drivers, the Postal Service intends to use contract surface transportation more efficiently, and thus use fewer trips; fewer trips in turn imply fewer impacts caused by driver shortages.
- 2.b. N/A.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 11**

3. Please refer to Emily Badger, Quoc Trung Bui, & Margot Sanger-Katz, The New York Times, The Postal Service Survived the Election. But It Was Crushed by Holiday Packages, January 19, 2021, available at <https://www.nytimes.com/interactive/2021/01/19/upshot/postal-service-survived-election-but-crushed-by-holidays.html>; Wimberly Patton, CDL Life, Truckers are behind the scenes of the current mail crisis and it doesn't look good, December 15, 2020, available at <https://cdllife.com/2020/truckers-are-behind-the-scenes-of-the-current-mail-crisis-and-it-doesnt-look-good/>. Assuming that the Postal Service implements its proposal on or about October 1, 2021 (as planned), please discuss how the Postal Service plans to handle the upcoming peak season for FCPS (from approximately the end of November through December) in light of the impact of COVID-19 and the past backups experienced at facilities.

RESPONSE:

In order to continue providing reliable service, the Postal Service has addressed capacity issues by acquiring additional space in 46 locations to accommodate package growth. We also purchased 138 additional package sorting machines this year and added over 14,000 permanent positions to our workforce. This will allow us to handle additional package volume in our processing and delivery network.

We are also addressing bottlenecks in our logistics networks by contracting additional Surface Transportation Centers (STCs) and cross-dock facilities to increase our capacity to distribute mail throughout our ground networks and create surge capacity.

Processing sites are also adjusting processing and advancing the dispatch of package volumes on early transportation designed to pick up volumes from the Delivery Units. This effort will also help alleviate workroom floor congestion.

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4. Please refer to USPS-T-1 at 3, lines 4-5, where the Postal Service states “we expect to require fewer surface transportation trips over a given period than we currently require.” USPS-T-1 at 3 (footnote omitted). Further, “we do not anticipate increased challenges with respect to driver shortages/availability or motor vehicle accidents.” *Id.* at 3, n.6. Please also refer to Daniella Genovese, Truck Driver Shortage Affecting Deliveries Nationwide, April 13, 2021, Fox Business, available at <https://www.foxbusiness.com/lifestyle/truck-drivers-shortage-2021>, which indicates the shortage is expected to grow in coming years, and will require approximately 1.1 million additional drivers over 10 years to keep up with demand. Please also refer to <https://www.ccjdigital.com/business/article/15064327/driver-shortage-not-abated-by-2020s-reshuffling-of-labor-market>, which indicates additional challenges for filling the driver shortages.
 - a. Please explain the basis for the Postal Service's expectation, and provide any supporting material necessary, that the Postal Service will not face increased challenges with respect to driver shortages after the proposal is implemented.
 - b. Please discuss how the Postal Service plans to handle driver shortages after the proposal is implemented that impact particular geographic areas.
 - c. In the past 5 years, has there been instances where the Postal Service could not acquire planned surface transportation for FCPS due to a shortage of drivers? If yes, what geographical region(s) did this shortage occur and what was the remedy for these instances?
 - d. In the past 5 years, has there been instances where FCPS were planned to be transported by surface and had to be re-routed to air due to an unexpected shortage of surface transportation? If yes, please describe the circumstances, the geographical region(s), and the resulting cost and service performance implications.

RESPONSE:

- 4.a. For clarity, the text of the testimony to which the question refers states:

“Moreover, through improved surface transportation capacity utilization and consolidation, we expect to require fewer surface transportation trips over a given period than we currently require.” The referenced footnote 6 state: “As a result, we do not anticipate increased challenges with respect to driver shortages/availability or motor vehicle accidents.” The ability to reduce network

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 11**

mileage and trips by increasing routing efficiencies attributed to the proposed service standard change provides a measure of mitigation against market conditions in the trucking industry. Although HCR suppliers are having difficulty retaining and hiring drivers, the Postal Service intends to use contract surface transportation more efficiently, and thus use fewer trips; fewer trips in turn imply fewer impacts caused by driver shortages.

	Baseline	FCPS Model
Trips	4,881	4,597
Miles	2,223,630	2,204,005

- 4.b.** The Postal Service will continue to handle driver shortages by rerouting volumes or calling extra service when needed to cover omitted scheduled service.
- 4.c.** There are instances where driver shortages have caused omitted service for all product types. Volumes are rerouted to destination via alternate routings or extra service is contracted when scheduled service is omitted.
- 4.d.** I am not aware of FCPS being rerouted to the air network due to driver shortages.

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5. Please describe what operational protocol the Postal Service will have set in place after the proposal is implemented, and should there be a shortage of drivers to maintain a steady supply of reliable surface transportation for FCPS.

RESPONSE:

The Postal Service will continue to handle driver shortages by rerouting volumes or calling extra service when needed to cover omitted scheduled service. The additional slack time in the network will help in absorbing dispatch delays caused by omitted service.

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6. Please refer to the response to Presiding Officer's Information Request (POIR) No. 1, question 4.a.,¹ in which the Postal Service states that the 95 percent on-time delivery target was chosen in part due to additional changes other than those made to the FCPS service standards—namely, the “hir[ing of]additional staffing, install[ation of] additional mail processing equipment, and acqui[sition of] additional facility space for both logistics and mail processing operations.”
- a. How will the Postal Service measure whether the implementation of these changes leads to increased efficiency and network utilization?
 - i. Does the Postal Service have any benchmarks, thresholds, or measureable criteria to monitor the impact of these changes?
 - (1) If yes, please describe such benchmarks, thresholds, or measureable criteria.
 - (2) If no, please explain why the Postal Service does not plan to use any benchmarks, thresholds, or measureable criteria to monitor the impact of these changes.
 - b. Will the Postal Service attempt to disaggregate the impacts that each of these changes—service standard, staffing, equipment, and space—have on efficiency and network utilization? If not, why not?

RESPONSE:

- 6.a.** The Postal Service monitors operating plan compliance and delayed volumes.
- The additional staffing, equipment, and facility space is expected to improve operating plan compliance and reduce processing delays, allowing more volume to dispatch timely.
- i. Yes.
 - 1)** As described above, processing delayed volumes, and network delays will continue to be monitored.
 - 2)** N/A

¹ Responses of the United States Postal Service to Questions 1-8.a, 9-11 of Presiding Officer's Information Request No. 1, July 6, 2021 (Response to POIR No. 1).

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- 6.b.** No. The interaction of the concurrent changes and other multiple factors will prevent disaggregation of the impact of each change.

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7. Please refer to the response to POIR No. 4, question 9,² in which, based on the assumption that the Postal Service implements its proposal on or about October 1, 2021 (as planned), the Postal Service states that it “does not expect to meet or exceed the 95 percent target level for FY 2022.”
- a. Assuming that the Postal Service implements its proposal on or about October 1, 2021 (as planned), when does the Postal Service expect FCPS on-time service performance to meet or exceed the 95 percent target level?
- i. Please discuss the basis that supports the Postal Service's asserted timeframe.
- ii. Please discuss the level of confidence that the Postal Service has regarding its asserted timeframe.

RESPONSE:

- 7.a.** The intent is to achieve 95 percent on-time performance by the end of FY 2022.
- i. The processing and the network changes planned to enable 95 percent on-time delivery performance are expected to be implemented by the end of FY 2022.
- ii. The Postal Service did not calculate a confidence level for achieving the 95 percent on-time delivery performance by the end of FY 2022.

² Responses of the United States Postal Service to Questions 1-22 of Presiding Officer's Information Request No. 4, July 23, 2021 (Response to POIR No. 4).

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8. Please refer to the Response to POIR No. 4, question 9.b.ii., in which the Postal Service indicates that it does not plan to set an interim target for the FY 2022 period (during which the Postal Service acknowledges it does not expect to meet its 95 percent target level).
- a. Please explain why the Postal Service does not plan to set an interim target for this timeframe before the Postal Service expects to meet its target.
 - b. During the timeframe before the Postal Service expects to meet its target, does the Postal Service have any benchmarks, thresholds, or measureable criteria to hold its personnel accountable for FCPS service performance?
 - i. If yes, please describe such benchmarks, thresholds, or measureable criteria.
 - ii. If no, please explain why the Postal Service does not plan to use any benchmarks, thresholds, or measureable criteria to hold its personnel accountable for FCPS service performance during this timeframe.

RESPONSE:

- 8.a.** Targets for FY2022 have not yet been established, and at this time I am not aware of the Postal Service's plans regarding any specific target that may be set for FCPS for FY2022 as the Postal Service implements the steps necessary to achieve 95% performance. That said, the Postal Service sought to establish realistic targets based on actual operating conditions for FY2021, and consistent with that principle recently made clear its intent to set interim targets for First-Class Mail and Periodicals as it moves forward with implementing revised service standards for those products. At this point I expect a similar approach for FCPS as well.

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8.b. Yes.

- i. FCPS service performance is part of National Performance Assessment (NPA) and is used as a measure to assess management compensation.
- ii. N/A.

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9. Please refer to the response to POIR No. 6, question 4.c. and d.,³ in which the Postal Service describes that it regularly experiences a peak in demand (which includes FCPS volumes) from approximately the end of November through December.
- a. In the Response to POIR No. 6, question 4.c., the Postal Service describes that it “has separate planning for peak season and holidays, independent of the model.” Has the Postal Service’s separate planning for the upcoming peak season taken into account that the proposed changes for FCPS going into effect on or after October 1, 2021?
 - i. If so, please explain how.
 - ii. If not, does the Postal Service intend to take the proposed changes into account as it continues planning for the upcoming peak season over the next few months?
 - (1) If so, please explain how.
 - (2) If not, please explain why not.
 - b. Please refer to the Response to POIR No. 4, question 9.b.i, in which the Postal Service indicates that “[t]he implementation process of transportation changes will progress into and throughout FY 2022. While significant shifts in transportation modes are expected to take place near the time of the proposed implementation, the adjustments to the current surface network will evolve through FY 2022.” Has the Postal Service’s separate planning for the upcoming peak season taken into account these evolving adjustments as well?
 - i. If so, please explain how.
 - ii. If not, please explain why not.

RESPONSE:

9.a. Yes

- i. The Postal Service is identifying additional opportunity to shift FCPS and FCM from the air network to surface network. Also, STC to STC

³ Responses of the United States Postal Service to Questions 1-9 of Presiding Officer's Information Request No. 6, July 27, 2021 (Response to POIR No. 6).

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connections are being planned to help move volumes during Peak season and prepare for additional movement of air to surface volumes.

ii. N/A.

9.b. Yes.

i. The Postal Service is identifying additional opportunity to shift FCPS and FCM from the air network to surface network. Also, STC to STC connections are being planned to help move volumes during Peak season and prepare for additional movement of air to surface volumes.

ii. N/A.

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10. Please refer to the Response to POIR No. 4, question 8, in which the Postal Service describes that negotiated service agreement (NSA) customers can use special service codes 401 and 402 to identify competitive products (such as FCPS) that contain prescriptions and medical supplies, respectively. Please also refer to the Response to POIR No. 2, question 14,⁴ in which the Postal Service states “[p]harmaceutical volume without SSC 401 cannot be tracked separately from FCPS.”
- a. Has the Postal Service considered implementing any system to identify other FCPS items sent for medical purposes by customers that do not have a NSA with the Postal Service?
 - i. If so, please explain these considerations.
 - ii. If not, please explain why not.
 - b. Has the Postal Service considered implementing any system to identify other FCPS items sent for medical purposes other than prescriptions and medical supplies (such as non-prescription medications)?
 - i. If so, please explain these considerations.
 - ii. If not, please explain why not.

RESPONSE:

10.a. Yes.

- i. The Postal Service has previously implemented processes to identify medical FCPS shipments sent by non-NSA shippers in emergency situations and would be similarly responsive if conditions in the future warranted such action. For example, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) states that “during the COVID-19 emergency, the Postal Service—(1) shall prioritize delivery of postal products for medical purposes.” Pub. L. No. 116-136 § 6001(c) (March 27,

⁴ Responses of the United States Postal Service to Questions 1-15 of Presiding Officer's Information Request No. 2, July 8, 2021.

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2020). In accordance with this, the Postal Service partnered with several manufacturers, vendors, and laboratories to ship biological test kits to a variety of healthcare providers and citizens across the country. The effort included the formation of a cross-functional team, determination of necessary packaging and labelling requirements, and development of detailed internal communication and implementation plans. The Postal Service would consider similar steps in the future as needs arise and / or as mandated by law.

ii. N/A.

10.b. Yes.

i. The Postal Service has previously implemented processes to identify medical FCPS shipments of non-prescription medications and would be similarly responsive if conditions in the future warranted such action. For example, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) states that “during the COVID-19 emergency, the Postal Service—(1) shall prioritize delivery of postal products for medical purposes.” Pub. L. No. 116-136 § 6001(c) (March 27, 2020). In accordance with this, the Postal Service partnered with several manufacturers, vendors, and laboratories to ship biological test kits to a variety of healthcare providers and citizens across the country. The effort included the formation of a cross-functional team, determination of necessary packaging and labelling requirements, and development of detailed internal communication and

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implementation plans. The Postal Service would consider similar steps in the future as needs arise and / or as mandated by law.

ii. N/A.

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11. Please refer to the Response to POIR No. 6, question 5.b., in which the Postal Service indicates that excluding FCPS items containing pharmaceuticals from the proposed service standard changes "could be possible, but would essentially create a separate product, priced the same as FCPS but following a faster, more expensive network path. Separating pharmaceuticals from the FCPS population would increase costs and require separate handling at Origin (i.e. dedicated machines to prevent it from following the FCPS network."
- a. Please elaborate on the extent of the types of operational changes that the Postal Service would be required to make to exclude FCPS items containing pharmaceuticals from the proposal.
 - b. Please estimate the additional costs that the Postal Service would incur by doing so.

RESPONSE:

- 11.a.** Volumes would be required to be identified and sorted and containerized separately to allow dispatching on service responsive transportation. The volume would have to be processed during the same processing window as Priority Mail and other FCPS, increasing the need for added package sorting capacity. Mixed volumes of pharmaceuticals and FCPS would need to be separated during sortation and rehandled on specific sort programs to where the service standards differed from other FCPS. A separate transportation mode matrix would be required to maintain assignment to air transportation for origin and destination pairs extending beyond surface reach.
- 11.b.** No such estimate has been developed, but the basis for the statement is explained in the response to POIR No. 6, question 5.b. Specifically, additional operations would need to be added at multiple facilities across the nation to separate pharmaceuticals from the rest of the FCPS mailstream and then handle them on dedicated machines. Intuitively, adding operations at multiple facilities leads to increased costs.

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12. Please refer to the Response to POIR No. 6, Question No. 8.b., in which the Postal Service stated that, "Priority Mail service is accounted for in the model." Please explain how Priority Mail is accounted for in the model.

RESPONSE:

Priority Mail volumes were included in the model, in the same way other products were included that are transported in the preferential network. The origin and destination processing sites were mapped, and the transportation window constraints based on the service standards for Priority Mail were included.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 12**

1. Please refer to page 1 of the Request, stating that the Postal Service plans to implement its proposal on or after October 1, 2021. Please provide any additional specificity and updated information regarding the expected timeframe for implementation.

RESPONSE:

The Postal Service plans to implement the proposed service standard changes on or after October 1, 2021. Transportation modifications to support the upgraded lanes shifting from 3-day to 2-day will be implemented to coincide with the start of the service standard changes. Air-to-surface lanes that were modeled and found possible to be routed on existing transportation will be implemented prior to Peak season. Additional lanes will be added after Peak season and through FY 2022, in addition to improving efficiencies of existing surface lanes.

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2. Please refer to Responses of the United States Postal Service to Questions 1-22 of Presiding Officer's Information Request No. 4, July 23, 2021, question 12.b. (Response to POIR No. 4), in which the Postal Service does not confirm that implementing the proposal would replace (rather than add to) the existing additional transportation day in place since April 17, 2020 due to COVID-19. The Postal Service further states that it "cannot determine when the additional transportation day due to COVID-19 will be eliminated. The decision to eliminate the COVID-19 day will depend on operational capability."
 - a. Please confirm that the Postal Service is planning to implement its proposal in a manner that would add an extra day or 2 days, depending on the exact origin-destination pair, above and beyond the existing additional transportation day added for the COVID-19 pandemic. If not confirmed, please explain.
 - b. Has the Postal Service performed any operational testing of FCPS in the field of the impact of the additional transportation day added to FCPS due to the COVID-19 pandemic? If yes, please provide the results of the operational test. If no, why not?
 - c. Please elaborate on the circumstances that would allow the Postal Service to eliminate the additional transportation day added for the COVID-19 pandemic.

RESPONSE:

2.a. Not confirmed. The decision regarding whether to maintain or eliminate the added transportation day for the COVID-19 pandemic has not yet been determined.

2.b. The added transportation day has been added to FCPS since April of 2020.

Over 1,800 lanes have been shifted from Air to Surface transportation. Additional details regarding a comparison of service performance without the added day from July 3, 2021 through August 6, 2021, and with the added day, Postal Quarter 4 through August 6, 2021, is provided in the response filed under seal as part of USPS-LR-N2021-2-NP21.

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2.c. The decision will be determined by the Executive Leadership Team and will consider the overall operational context. One factor would be current performance without the added day for COVID against the performance with the added day, which is an indication of the Postal Service's operational capability and whether that capability remains limited due to the impact of COVID. I do not know under what precise conditions the Postal Service would consider it appropriate to eliminate the added day.

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3. Please refer to Response to POIR No. 4, question 3.b., in which the Postal Service states that it expects surface transportation utilization to increase from 18 percent to 22 percent after implementing the proposed service standards for FCPS.
 - a. Please explain the limitations on increasing surface transportation utilization for FCPS above 22 percent that would remain after implementing the proposed service standards.
 - b. Does the Postal Service intend to strive to increase surface transportation utilization for FCPS above 22 percent after implementing the proposed service standards? If so, please explain how.

RESPONSE:

3.a. Available volume and the ability to combine multiple destinations on trips would continue to determine the space utilization of FCPS on surface transportation.

3.b. The Postal Service does not strive to increase surface transportation utilization specifically for FCPS. The Postal Service strives to increase overall surface transportation utilization to transport all products more efficiently via the surface network.

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4. Please refer to Responses of the United States Postal Service to Questions 1-9 of Presiding Officer's Information Request No. 6, July 27, 2021, question 4.a. (Response to POIR No. 6), in which the Postal Service states:

In FY 2020, packages did not follow a historic seasonal trend due to the COVID pandemic, and therefore selecting March for packages as well would not have been a fair representation of expected volumes. Package volume projections appeared to stabilize, or plateau in September and October of 2020, and for that reason, October 2020 was selected for pulling package volume data. October would not have been representative of an average period for letter and flat volume due to the impact from the election.

From a modeling standpoint, just as March would not have been a representative month for FCPS packages, is it fair to say that FY 2020 overall is not a representative year for FCPS volume due to the impact of the COVID pandemic? Please include a quantitative analysis with a comparison of the FY 2020 volumes to a more representative period for FCPS.

RESPONSE:

No, the COVID pandemic is expected to have changed shopping habits permanently, increasing ecommerce spending over 30 percent. This increase in online shopping is expected to result in a sustained increase in package volumes over historic levels (prior to the COVID pandemic). The actual expected sustained increase over pre-COVID periods is unknown. A monthly comparison of volumes versus the same period in the prior year is provided in the response filed under seal as part of USPS-LR-N2021-2-NP21.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO
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5. Please refer to Response to POIR No. 6, question 5.b., in which the Postal Service states:

Pharmaceutical shippers could upgrade to Priority Mail service to increase the speed of shipping, where necessary. Creating a separate service standard for pharmaceuticals could be possible, but would essentially create a separate product, priced the same as FCPS but following a faster, more expensive network path. Separating pharmaceuticals from the FCPS population would increase costs and require separate handling at Origin (i.e. dedicated machines) to prevent it from following the FCPS network.

Please also refer to Responses of the United States Postal Service to Questions 1-6 of Presiding Officer's Information Request No. 8, August 5, 2021, question 2.b. (Response to POIR No. 8), in which the Postal Service states that, "[t]o the extent feasible, as described above, the Postal Service would continue to give priority to the delivery of postal products (including FCPS) for medical purposes."

- a. Is it fair to say that pharmaceutical shippers, or any FCPS shipper, who wish to receive the same service as they currently receive (but the current O-D pair is being downgraded) will be forced to "buy up" to Priority Mail under the proposed changes?
- b. Please describe the ways in which the Postal Service continues to "give priority to the delivery of postal products (including FCPS) for medical purposes."
- c. Has the Postal Service estimated the additional costs that are incurred in order to "give priority to the delivery of postal products (including FCPS) for medical purposes?" If yes, please provide the cost estimates in a library reference. If no, please explain why the Postal Service did not estimate the additional costs.
- d. Has the Postal Service estimated the additional costs that would be incurred in order to separate pharmaceuticals from the FCPS population? If yes, please provide the cost estimates in a library reference? If no, please explain the basis of the Postal Service's statement in Response to POIR No. 6, question 5.b. that "[s]eparating pharmaceuticals from the FCPS population would increase costs...."
- e. Has the Postal Service considered implementing a temporary freeze on price increases for FCPS rate categories that experience a service downgrade?

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RESPONSE:

5.a. Any FCPS shipper sending material between an O-D pair for which the service standard would be lengthened under the change contemplated in this proceeding would, after potential implementation of this change, have at least two options if they wished to continue to receive the same level of service currently afforded FCPS pieces between that O-D pair. One, they could seek shipping alternatives outside the Postal Service, or, two, as suggested in the question, they could upgrade to Priority Mail.

5.b. As noted in response to Question 2 of POIR No. 8, those ways were described in response to Question 16 of ChIR No. 16 (February 4, 2021) in the ACR2020 proceeding. They are summarized again here for convenience:

Briefly stated, starting in FY 2020 and continuing through the present, as part of our steadfast commitment to delivering medications throughout the nation, Postal Service management has continuously reviewed pharmaceutical package service performance to the best of our ability, and worked closely with all mail-order prescription mailers to improve overall service. In addition, weekly operational meetings were established with pharmaceutical mailers to provide updates on service conditions and process improvements. More fundamentally, as an organization, the Postal Service has undertaken efforts throughout all levels to ensure the timely processing, dispatching and delivery of pharmaceutical shipments. These efforts included, to the extent that personnel in the field had some tangible basis to view particular mail pieces as likely constituting a pharmaceutical shipment, attempts to expedite handling of such pieces.

5.c. No such cost estimates have been developed because no readily apparent means to construct such estimates in a reliable manner has been identified, and because no need for any such estimates has been identified.

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5.d. No such estimate has been developed, but the basis for the statement is explained in the response to POIR No. 6, question 5.b. Specifically, additional operations would need to be added at multiple facilities across the nation to separate pharmaceuticals from the rest of the FCPS mailstream and then handle them on dedicated machines. Adding operations at multiple facilities leads to increased costs.

5.e. The majority of FCPS pieces would not experience a service downgrade, but a minority of pieces in all FCPS rate categories would. It is not feasible to selectively implement a rate freeze simply for the O-D pairs for which service standards would be extended under the changes contemplated. Moreover, imposing a temporary rate freeze on all FCPS categories (under the theory that a minority of mailers would experience a service downgrade) would not be consistent with the expectation that, on balance, mailers would view the increased reliability associated with the overall set of changes to either be neutral or to enhance the attractiveness of FCPS service.

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6. Please confirm that, generally speaking, FCPS items for zones 1-4 are transported by surface and FCPS items for zones 5-9 are transported by air. If not confirmed, please explain and provide the proportion of FCPS volume and corresponding service performance by transportation mode for each zone from FY 2017 to FY 2020.

RESPONSE:

The Postal Service does not have the service performance data for FCPS needed to complete this analysis for years prior to FY 2020, or volume data by zone prior to FY 2019. Please see file: "NP-POIR12.Q6-FCPS-ZonePer-TransMode.xlsx" filed on today's date as part of Library Reference USPS-LR-N2021-2-NP21.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KIM TO PRESIDING
OFFICER'S INFORMATION REQUEST NO. 1**

6. Please see Attachment, filed under seal.

RESPONSE:

The question filed under seal seeks clarifications or definitions of several terms that appear as column or row labels in various tabs in the nonpublic spreadsheet submitted in USPS-LR-NP2021-2-NP1. Since, however, each of the terms listed appears in the corresponding tabs in both the public (USPS-LR-NP2021-2-1) and nonpublic versions (USPS-LR-NP2021-2-NP1) of the spreadsheet (even if the actual *values* in those columns and rows are in some instances redacted in the public version), it would appear appropriate to provide the requested clarification of the *concepts* behind these terms in a public response. The terms in question are those underlined below, and are followed by the requested clarification or definition.

Tab “Highway”

Inter-Cluster accounts are used to record the expense for the transportation of mail between a postal facility in one district and a postal facility in a different district, when both postal facilities are within the same postal area and neither are NDCs (not Inter-NDC). See USPS-T-2 at 1, n1.

Inter-Area accounts are used to record the expense for the transportation of mail between a postal facility (except an NDC) in one postal area and a postal facility (except an NDC) in a different area. See USPS-T-2 at 1, n1.

The Capacity Variability refers to the appropriate cost-to-capacity variability for each contract type, as estimated in Docket No. RM2014-6. See USPS-RM2014-6/1, Public

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Material Relating to Proposal Six (June 20, 2014), "Rpt.Updat.PHT.Cost.Cap.
Variab.docx", at 28, 31 (Tables 7 & 10).

Tab "Potential-Charter"

Additional % Change Capacity Needs refers to the additional percent change in capacity requirements for charters, beyond what was already included for the reduction in charter capacity in conjunction with the overall reductions in air capacity.

Tab "Potential-NDC Network"

Capacity Change (Low) refers to the lower-end of the range of surface capacity reductions in the Intra- and Inter-NDC networks estimated by witness Hagenstein. See USPS-T-1 at 5.

Capacity Change (High) refers to the higher-end of the range of surface capacity reductions in the Intra- and Inter-NDC networks estimated by witness Hagenstein. See USPS-T-1 at 5.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KIM TO PRESIDING
OFFICER'S INFORMATION REQUEST NO. 4**

- 21.** Please confirm that the base year cost savings from shifting FCPS volumes from air to surface transportation include all charter flights occurring during the base year (FY 2020). If not confirmed, please explain.
- a. If confirmed, please explain the rationale for calculating cost savings using an outlier year as a base year. Additionally, please refer to USPS-T-2, at 4, lines 8-12. The Postal Service states "...witness Hagenstein projects a range of possible percent capacity reductions in charters. This percent reduction is multiplied by the charter cost in order to calculate the expected savings from charters. Charters were used in FY 2020 to mitigate the lack of commercial air capacity availability during the COVID-19 pandemic."
 - b. Please confirm that additional cost savings projected for the proposed changes from charter flights are added on to the base year amount. Please explain the discrepancy between charter flight costs in the base year and the additional savings projected.

RESPONSE:

Not confirmed. The baseline *costs* include all costs of charter flights occurring in FY 2020. However, as discussed in greater detail in the nonpublic version of this response filed under seal as part of USPS-LR-N20201-2-NP11, the cost *savings* from shifting FCPS volumes from air to surface only include a portion of the total charter flight costs. The reduction associated with this portion corresponds to the reduction in capacity on FedEx Day Turn, which is the cost pool that includes the charter flight costs.

- a. As described in my testimony USPS-T-2 at 4, lines 10-15:

Charters were used in FY 2020 to mitigate the lack of commercial air capacity availability during the COVID-19 pandemic. However, as witness Hagenstein describes, given the continued high levels of network package volumes, even with commercial air at full capacity, absent the proposed changes in service standards, charters would continue to be required to handle this package volume.

It was determined that although FY 2020 saw a higher use of charters as compared to prior fiscal years, it was still reasonable to use FY 2020 costs

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KIM TO PRESIDING
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as the baseline. This is because charters would continue to be required to handle the higher level of network package volume. The average monthly charter cost for FY 2020 was \$20.5 million. Commercial Air capacity had largely returned to pre-pandemic levels by August 2020. The average monthly charter cost for the period of August 2020 through March 2021 was \$19.3 million. See USPS-LR-N2021-2-NP5. This suggests that although during the peak of the pandemic charter costs were substantially higher than previously experienced, using the FY 2020 costs as a whole is still reasonable to project anticipated savings for future years. The pre-pandemic lower charter costs, when averaged together with the peak-pandemic charter costs, represent a reasonable approximation of what the post-pandemic charter costs would be, in the absence of the proposed changes.

- b. Some savings on charter expenses are already included in the savings that are calculated as a result of witness Hagenstein's extensively modeled air capacity reduction. As discussed in greater detail in the nonpublic version of this response filed under seal as part of USPS-LR-N2021-2-NP11, charter costs are included in the total FedEx Day Turn expenses, off of which a percentage reduction is calculated. See USPS-LR-N2021-2-NP1, FCPS Transportation Savings-Nonpublic.Rev.7.2.2021.xlsx, tab "Air," cell E37. As more volume is expected to shift out of the air network, there will naturally be less demand for charters to supplement this network.

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However, additional savings on charters are also expected, above and beyond this natural decrease of charter expenses in conjunction with other air network expenses. Witness Hagenstein projects a 14 to 48 percent reduction in total charter capacity as a result of this proposed initiative. In order to avoid double counting, the savings that are already included in the air savings as a result of the model are subtracted out from the additional projected savings in charter costs. As a result, instead of calculating the savings resulting from a 14 to 48 percent reduction in charter capacity, a smaller reduction is calculated. The resulting \$15 to \$98 million in charter savings is thus additional to the charter savings that are already included in the total air savings calculation.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KIM TO PRESIDING
OFFICER'S INFORMATION REQUEST NO. 4**

22. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP11.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KIM TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 5

5. Please refer to USPS-T-2 at 4. "A cost savings of \$304 million is expected as a result of the projected reduction in air capacity across all carriers. An additional \$15 to \$98 million is possible as a result of reducing reliance on higher-cost charters." Please explain the methodology and assumptions relied upon for the variance between \$15 to \$98 million. In your response, please include a public discussion of the pros and cons of using this methodology and these assumptions.

RESPONSE:

Charter costs are 100 percent volume variable, meaning that if volume or capacity increases by 10 percent, then the costs would also increase by 10 percent. Witness Hagenstein projected a 14 to 48 percent decrease in charter capacity. Therefore, given the 100 percent volume variability, this corresponds to a 14 to 48 percent decrease in charter costs. This is based on the established Commission methodology for attributing air transportation costs. See Summary Description of USPS Development of Costs by Segments and Components, Fiscal Year 2019 (July 1, 2020), "CS14-19.docx", at 14-3. However, some charter cost savings were already accounted for in the overall air savings calculation based on witness Hagenstein's model. In order to avoid double counting those charter savings, those reductions were subtracted from the additional projected charter reductions. Witness Hagenstein discusses the underlying assumptions for the projected 14 to 48 percent reduction in charter capacity in his response to POIR 2, Question 12, part a.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KIM TO PRESIDING
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6. Please refer to USPS-T-2 at 4 n.6. The Postal Service states that “payments to FedEx and UPS for failure to meet minimum volume commitments – is treated as an institutional cost.”
- a. Please elaborate on the terms and conditions that require the Postal Service to make payments to FedEx and UPS for failure to meet minimum volume commitments.
 - b. Please discuss the reasons why these payments are treated as an institutional cost.
 - c. Please provide the total annual payments to FedEx and UPS related to failures to meet volume commitments from FY2017 to FY2020 for each fiscal year.
 - d. Please discuss what impact, if any, the Postal Service expects the implementation of the proposal to have on its ability to meet minimum volume commitments to FedEx and UPS.

RESPONSE:

- a. These contracts are indefinite delivery, indefinite quantity contracts with minimum volume commitments that apply to each operating period. The minimum commitments were agreed to in order to ensure that the suppliers would provide a consistent amount of lift capacity to meet our continuing needs throughout the term of the contract.
- As the response to question 6c below indicates, the payments made to our contract carriers for failure to meet minimum volume commitments are rare, as we typically exceed contract minimums. When the minimum capacity commitments are not achieved, the Postal Service pays the contract carrier the difference in price between the contract minimum and the achieved capacity over that operating period. The specific capacity commitments and advance planning periods differ by contract. Also, for FedEx, the Postal Service is required to provide a minimum average

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KIM TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 5

volume of mail, expressed in cubic feet, each operational day. Failure to achieve those minimums would be included in the amounts shown in the response to question 6c. However, in recent years, the Postal Service has not had difficulty tendering the prescribed minimum daily volume, so this portion of the amounts shown in response to question 6c is very small.

- b. The justification for treating these expenses as institutional costs is that they do not vary with volume changes. The same justification was provided when the institutional treatment of these expenses was first introduced in Docket No. R2005-1.¹ This methodological treatment was confirmed by Commission in Docket No. R2006-1 PRC-LR-4, PRC "B" Cost Segment Workpapers, workbook CS14, tab WS14.3. lines 57-59.²

¹ See Docket No R2005-1, Response of the United States Postal Service to Presiding Officer's Information Request No 12, Q14 (August 18, 2005).

² Presumably, the Commission treated these costs as institutional in Docket No. R2005-1, PRC-LR-3, Base Year Costs, but those are costs are unavailable on the Commission webpage. However, further support that those expenses were treated as institutional is found in the Commission's display of test year costs by component in which domestic air costs were 99.87 attributable. See Docket No. R2005-1 Opinion and Recommended Decision, Appendix E, page 2, CS 14, Domestic Air.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KIM TO PRESIDING
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c. Payments for Failure to Meet Contract Minimums FY2017- FY2020

Fiscal Year	UPS \$(000)	FEDEX DAY TURN \$(000)	TOTAL \$(000)	% of Transportation Expense
FY 2017	\$ 314	\$ 6,500	\$ 6,814	0.09%
FY 2018	\$ 196	\$ -	\$ 196	0.00%
FY 2019	\$ 3,368	\$ 7,258	\$ 10,625	0.13%
FY 2020	\$ 1,080	\$ -	\$ 1,080	0.01%
Total	\$ 4,958	\$ 13,758	\$ 18,716	

- d. The Postal Service does not anticipate that this proposal will result in additional costs for failure to meet minimum commitments. As described in my testimony on page 4, note 6, there is sufficient lead time until implementation to adjust the network appropriately and meet new planned minimums.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KIM TO PRESIDING
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7. Please refer to USPS-T-2 at 8. "If these preliminary estimates prove valid once more robust modeling efforts are completed, this optimization of the NDC network could result in an additional \$62 to \$116 million in savings."
- a. Please confirm that this savings estimate was calculated using assumed increases in capacity utilization. If confirmed, please explain how these estimates were developed. If not confirmed, please provide supporting workpapers.
 - b. Is the Postal Service doing or planning to do more analysis before implementing changes to the NDC network? If so, please describe the nature and scope of that additional analysis, and provide a timeline for the Postal Service plan to provide updated modeling of the NDC network changes.
 - c. Please provide a quantitative and qualitative discussion regarding the use of "more robust modeling efforts" in this context.

RESPONSE:

- a. Partially confirmed; the savings estimate is calculated using Witness Hagenstein's estimates of changes in highway capacity in the Inter-NDC and Intra-NDC networks. The Inter-NDC estimate of a 14 to 28 percent capacity reduction was based on assumed increases in capacity utilization, as suggested by the question. These reductions correspond to \$49 to \$97 million. However, the Intra-NDC estimate of a 6 to 8 percent capacity reduction was based on a study of potential trip reductions at two NDC campuses. These reductions correspond to \$14 to \$18 million. Witness Hagenstein discusses the development of these estimates in his response to POIR 1, Question 9.
- b. Redirected to witness Hagenstein.
- c. This phrase is intended to draw a distinction between the robust modeling effort that supports the Inter-Area, Inter-Cluster, and Inter-P&DC capacity

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KIM TO PRESIDING
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change estimates described extensively in Witness Hagenstein's testimony, and the high-level, preliminary estimates that support the Inter- and Intra-NDC capacity changes, which were not based on the same type of modeling effort. However, it is important to recognize that there are opportunities for additional savings in the NDC network that would result from these proposed changes, even if the precise magnitude of those potential savings is not yet known.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KIM
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 6
(REDIRECTED FROM WITNESS HAGENSTEIN)**

1. Please refer to USPS-T-1 at 4, lines 5-7. The Postal Service states that “[a]n estimated 14 to 48 percent reduction in the number of air charters may be possible depending on the final volume of the lanes identified to shift from air to surface transportation.” Please provide the source data and calculations used to estimate the percentage reduction in the number of air charters. If the calculation is not available, please explain the basis for the above statement. Additionally, please discuss the relationship between capacity required, quantity of air charter trips, accrued cost, and attributable cost for the air charter cost driver.

RESPONSE:

Witness Hagenstein provided the source data and calculations used to estimate the percentage reduction in the number of air charters in USPS-LR-N2021-2-NP6, in conjunction with his response filed on July 8, 2021, to POIR No. 2, question 12, part a. Charter costs are 100 percent volume variable, meaning that if volume or capacity increases by 10 percent, then the accrued costs would also increase by 10 percent. See Summary Description of USPS Development of Costs by Segments and Components, Fiscal Year 2019 (July 1, 2020), “CS14-19.docx”, at 14-3. Because attributable costs include volume variable costs, 100 percent of accrued charter costs are attributable.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KIM
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 9**

1. Please refer to USPS-T-2 at 8, lines 9-10. The Postal Service states that the “optimization of the [Network Distribution Center (NDC)] network could result in an additional \$62 to \$116 million in savings.” Please also refer to the Postal Service’s 10-year strategic plan,¹ which states that “[a]ll [Regional Distribution Center] will be equipped with additional package processing capability to increase capacity, reliability and reach.”
 - a. In response to Presiding Officer’s Information Request No. 1, question 4.c., the Postal Service stated that it acquired “additional space in 46 locations to accommodate package growth. The Postal Service also purchased 138 additional package sorting machines this year and added over 14,000 permanent positions to its workforce.”² Please quantify the costs, separately by category, for the infrastructure items included in this response.
 - b. Please identify any additional costs incurred in optimizing the NDC network.
 - c. Please confirm that costs to optimize the NDC network are included in the estimated cost savings of \$62 million to \$116 million. If confirmed, please separately quantify by category the costs included in the cost savings. If not confirmed, please provide the rationale for not including costs incurred to optimize the NDC network in the cost savings.

RESPONSE:

- a. The Postal Service has approved \$209 million in infrastructure funding for acquiring additional space in up to 46 locations and \$240 million in funding for additional package sorting machines. These costs represent the total approved investment, which may be spread across multiple years.

¹ See United States Postal Service, *Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence*, March 23, 2021, at 29, available at https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS_Delivering-For-America.pdf.

² Responses of the United States Postal Service to Questions 1-8.a, 9-11 of Presiding Officer’s Information Request No. 1, July 6, 2021.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KIM
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 9**

- b. Because the initiative to optimize the NDC network is currently in the early planning stages, additional costs expected to be incurred as a result of this initiative have not yet been quantified.
- c. Not confirmed. The focus of the savings in the instant proceeding is on the potential transportation network savings that may result from the proposed service standard changes. The \$62 to \$116 million savings in the NDC network reflect the potential annual savings in the Intra- and Inter-NDC transportation network once the optimization is complete.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KIM
TO INTERROGATORIES OF THE PUBLIC REPRESENTATIVE**

PR/USPS-T2-1. Please refer to USPS-T-2, at 8, lines 5-10. Witness Kim states that “[b]ased on preliminary estimates, [W]itness Hagenstein projects a 14 to 28 percent reduction in capacity on the Inter-[Network Distribution Center (NDC)] network and a 6 to 8 percent reduction in capacity on the Intra-NDC network. If these preliminary estimates prove valid once more robust modeling efforts are completed, this optimization of the NDC network could result in an additional \$62 to \$116 million in savings.”

- a. Please provide a disaggregated yearly cost savings of \$62 to \$116 million based on time line provided by Witness Hagenstein on the transition of the NDCs to Regional Distribution Centers.¹

RESPONSE:

- a. Please see the response of witness Hagenstein to PR/USPS-T1-9. The \$62 to \$116 million in savings within this network are annual savings that would be expected after such time as the NDCs are transitioned to RDCs and the surface networks are merged.

¹ See Public Representative’s Second Set of Interrogatories and Request for Production to United States Postal Service Witness Stephen B. Hagenstein (PR/USPS-T-1), July 16, 2021, question 1.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI
TO INTERVENOR AMERICAN POSTAL WORKERS UNION, AFL/CIO'S
INTERROGATORIES (REDIRECTED FROM WITNESS HAGENSTEIN)**

APWU/USPS-T-1/14

Explain the Postal Service's projections with regard to your testimony on page 40 about the service standard changes possibly resulting in capturing additional package volume and incremental market share.

RESPONSE:

To evaluate the impact of changes to FCPS service standards on current users of FCPS – Commercial, the Postal Service retained The Colography Group to conduct primary survey research titled the First-Class Package Service Transit Commitment Survey ("FTC Survey"). The objectives of this survey were to assess if, and how much, volume would switch to other delivery services if transit time commitments for volume shipped to farther zones were slowed by 1 to 2 days, but if on-time performance were to increase to 95 percent across all zones.

The results of the survey showed that the majority of sampled FCPS-Commercial shippers stated they would maintain or, in some cases, increase FCPS volumes with these proposed changes. Analysis from the survey responses provides a foundation to estimate that the directional impact on commercial FCPS volumes will be relatively insignificant, but possibly resulting in a small increase in volume. Please also refer to LR-N2021-2-NP3, and USPS-T-3.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI
TO INTERVENOR AMERICAN POSTAL WORKERS UNION, AFL/CIO'S
INTERROGATORIES (REDIRECTED FROM WITNESS HAGENSTEIN)**

APWU/USPS-T-1/15

Explain the basis for your statement on page 41 of your testimony that “[t]he changes will have minimal impact on customer satisfaction and the needs of postal customers.”

RESPONSE:

Across shipping products, the top driver of shipping satisfaction for commercial shippers in FY 2020 is reliability. The proposed changes to FCPS service standards will enable enhanced reliability, allowing USPS to achieve its 95 percent on-time delivery target for FCPS.

Among customers of FCPS specifically, FTC Survey respondents most frequently cited price as the primary reason for using FCPS. FCPS is positively differentiated by its price compared to other market offerings with similar service standards, and we expect FCPS will continue to be highly price-competitive in the lightweight package market in the future.

Therefore, we believe there will be minimal impact on overall customer satisfaction in meeting the needs of postal customers.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 1**

1. Please refer to USPS-T-3 at 5. The Postal Service explains that "[t]he majority of FCPS volume is driven by the FCPS-Commercial price category." Please provide all quantitative metrics that support this claim. If no quantitative metrics are available, please identify any other information in support of the claim.

RESPONSE:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP4.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 1**

2. The Postal Service states that “[a]cross shipping products, the top driver of shipping satisfaction for commercial shippers in FY 2020 is high reliability.” USPS-T-3 at 5 (citing USPS Market Research & Insights Q1 FY21 Brand Health Tracker – Shipping Services). The Postal Service asserts that “[a]ccording to external market research, the drivers of satisfaction with greatest importance for shippers are: 1) reliability, 2) offering the best end-to-end service; 3) delivering items to destination as fast as possible; 4) delivering packages on the exact day that I expect it; and 5) offering my business the tracking information we need to assist customers.” *Id.*
 - a. Please provide results for the abovementioned USPS Market Research & Insights Q1 FY21 Brand Health Tracker – Shipping Services, by quarter, for the past 3 years (*i.e.*, as early as FY 2017 Quarter 4 results), including the corresponding appendices. If necessary, please seek non-public treatment for the relevant materials.
 - b. Please explain how the top five “drivers of satisfaction with greatest importance for shippers” have changed since FY 2017. Please include in your discussion an explanation of how the relative importance of “reliability” and “delivering items to destination as fast as possible” have changed since FY 2017.
 - c. Please confirm that the “reliability” driver of shipping satisfaction could be interpreted by a survey participant to relate to the overall reliability of the Postal Service, rather than solely to service reliability of Postal Service package shipping services specifically. If confirmed, please explain whether another driver of shipping satisfaction would better reflect commercial shippers’ preferences for reliable package shipping services. If not confirmed, please explain.
 - d. Please explain the methodology by which the ranking of “the drivers of satisfaction with greatest importance for shippers” was calculated. Additionally:
 - i. Please confirm that this ranking methodology was consistent for the past results provided in response to question 2.a.
 - ii. If not confirmed, please explain any changes in the methodology.
 - e. Please explain how the survey sample in the USPS Market Research & Insights Q1 FY21 Brand Health Tracker – Shipping Services was identified and contacted. In your response, please state whether the sample is weighted and, if so, how. Additionally:
 - i. Please confirm that the methodology for identifying and contacting this survey sample was consistent for the past results provided in response to question 2.a.
 - ii. If not confirmed, please explain any changes in the methodology.
 - f. Please confirm that the “shipping products” relevant to the USPS Market Research & Insights Q1 FY21 Brand Health Tracker – Shipping Services

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 1**

refer solely to FCPS products. If not confirmed, please explain which products are referenced. Additionally:

- i. Please confirm that the definition of "shipping products" was consistent for the past results provided in response to question 2.a.
- ii. If not confirmed, please explain any changes in this definition.
- g. Please provide a full list of the drivers of shipping satisfaction that were surveyed in the USPS Market Research & Insights Q1 FY21 Brand Health Tracker – Shipping Services, along with their respective rankings. Additionally:
 - i. Please confirm that the list of drivers was consistent for the past results provided in response to question 2.a.
 - ii. If not confirmed, please explain any changes to the list of drivers.

RESPONSE:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP4.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 1**

3. Please refer to USPS-T-3 at 7-8. The Postal Service explains that it expects “to maintain current FCPS-Retail volumes given [its highly competitive prices, improved reliability in meeting service expectations] and the convenience to retail customers of accessing [Postal Service] package products through [its] extensive retail network. If FCPS-Retail customers seek a faster delivery time, they have the option of choosing [the Postal Service's] Priority Mail product, and thus [are] able to readily substitute at one of [its] retail locations.”
- a. Please provide any and all analyses, surveys, and other information that supports the abovementioned claim.
 - b. If the Postal Service does not possess any such information, please explain why questions targeted at eliciting such information were not included in the FCPS Transit Commitment Survey or another survey in order to gauge the volume impact of the relevant proposal on retail customers.

RESPONSE:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP4.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 1**

5. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP4.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

1. Please refer to USPS-T-3 at 1. The Postal Service states that “package volumes increasingly originate closer to end customer locations, as retailers fulfill their products closer to the end consumer.”
 - a. Please explain whether the Postal Service expects the percentage of First-Class Package Service (FCPS) volumes originating closer to end customer locations to increase in response to the diminished FCPS service standards.

RESPONSE:

1.a. The abovementioned statement that “package volumes increasingly originate closer to end customer locations, as retailers fulfill their products closer to the end consumer” refers to an ongoing trend observed across the entire US parcel market. This trend is not specific to Postal Service package volumes or the Postal Service's First-Class Package Service volumes, nor is it exclusively tied to FCPS service standards. The percentage of FCPS volumes originating closer to end customers is dependent on many factors; if Postal Service package volumes grow with the overall US parcel market, then we would expect to see growth in all FCPS volumes.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 3**

1. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP9.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 5**

1. Please refer to USPS-T-3 at 2. The Postal Service explains that "[t]he Postal Service projects that FCPS will continue to show modest growth...."
 - a. How much has FCPS grown so far in FY 2021?
 - b. Please provide a quantitative and qualitative discussion regarding the use of "modest" in this context.

RESPONSE:

- a. FCPS pieces grew 54 percent in the first two quarters of FY 2021 compared to the same period in FY 2020.
- b. Please see the response filed under seal as part of USPS-LR-N2021-2-NP13.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 5**

2. Please refer to USPS-T-3 at 3, line 3. Please provide a quantitative and qualitative discussion regarding the use of "enhanced reliability" in this context.

RESPONSE:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP13.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 5**

3. Please refer to USPS-T-3 at 7. The Postal Service explains that “[t]he survey compiled results from 458 respondents that currently use FCPS. The survey stratification was designed to encompass FCPS shippers across industrial divisions and average daily shipping frequency.” Please provide an example of the kind of industries and the average shipping frequency for the respondents included in the survey.

RESPONSE:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP13.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 5**

4. Please refer to USPS-T-3 at 8. The Postal Service explains that "FTC Survey results show that the majority of sampled FCPS-Commercial shippers stated they would maintain or, in some cases, increase FCPS volumes with these proposed changes."
 - a. How many shippers said they would maintain FCPS volumes?
 - b. Of those who said they would increase volumes, did they note how much they would increase by? If so, by how much?

RESPONSE:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP13.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 7**

3. Please refer to USPS-T-3 at 6, lines 1-2. The Postal Service states that “[k]ey customer segments that use FCPS include marketplaces, pharmaceutical companies, mass merchants, and apparel retailers.” Please provide the proportion of FCPS volume attributable to the customer segment “marketplaces,” showing volume that will experience service upgrades, downgrades, or no changes. If the Postal Service cannot provide such data, please explain why not.

RESPONSE:

The percentage portion of total FY 2020 FCPS volume found in the customer segment that the Postal Service identifies as “marketplaces” is provided under seal within USPS-LR-N2021-2-NP17. We believe that modeling the impact of the proposed changes to FCPS service standards on this market segment individually would not yield insightful, helpful market information given parcel market dynamics. Whether, and to what degree, the proposed changes impacts each individual shipper requires an intensive inquiry unique to each shipper. We believe such calculations would be unnecessary as we looked at the representative impact across customer segments. Overall, the service standard for approximately 64 percent of FCPS volume will not be affected, 32 percent of current FCPS volumes with a 3-day service standard would receive a 4-day or 5-day service standard, and 4 percent of current FCPS volumes with a 3-day service standard would upgrade to a 2-day service standard.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 8**

3. Please refer to USPS-T-3, which states, “[w]e expect to maintain current FCPS-Retail volumes given these factors [competitive prices and increased reliability] and the convenience to retail customers of accessing our package products through our extensive retail network.” USPS-T-3 at 8.
 - a. Please discuss how retail customer satisfaction will be impacted by the proposed service standard change.
 - b. Please provide all materials, such as a survey or customer communications, that the Postal Service relied upon to make this assertion.

RESPONSE:

- 3.a. We believe customer satisfaction for shippers that use our FCPS-Retail product offering will likely be enhanced after the proposed changes. According to the Q1 FY21 Consumer and Commercial Brand Health Tracker, the top driver of satisfaction for users of USPS shipping products is: “is reliable.” The proposed operational changes that drive these service standard changes will enable greater certainty to FCPS shippers – including FCPS-Retail shippers – of on-time delivery expectations. We expect that this improved clarity of delivery expectations and improved performance at meeting those expectations will improve customer satisfaction. Additionally, relative to other market alternatives, the entire FCPS value proposition of price, service, and access will continue to resonate for shippers using the FCPS-Retail product.
- 3.b. Please see the Powerpoint file provided in USPS-LR-N2021-2-NP18.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 8**

4. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP18.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 8**

5. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP18.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 8**

6. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP18.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI
TO INTERROGATORIES OF THE PUBLIC REPRESENTATIVE**

PR/USPS-T3-1. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP8.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI
TO INTERROGATORIES OF THE PUBLIC REPRESENTATIVE**

PR/USPS-T3-2. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP8.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI
TO INTERROGATORIES OF THE PUBLIC REPRESENTATIVE**

PR/USPS-T3-3. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP8.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI
TO INTERROGATORIES OF THE PUBLIC REPRESENTATIVE**

PR/USPS-T3-4. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-LR-N2021-2-NP8.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI
TO INTERROGATORIES OF THE PUBLIC REPRESENTATIVE**

PR/USPS-T3-5. Please refer to the 10-year Plan, Delivering for America. The Postal Service states that “[o]nline sales have surged while shipping durations have been reduced. In [Fiscal Year (FY) 2020], shipping customers selected 1- or 2-day service for 72 percent of their parcel shipments. We estimate that this could be as high as 90 percent by 2025” (footnote omitted). *Id.* Please also refer to USPS-T-3 at 7, lines 21-22 and at 8, line 1. Witness Foti states that based on the First-Class Package Service Transit Commitment (FTC) Survey “after the proposed changes to [First-Class Package Service] service standards, we expect that we will maintain current [First-Class Package Service] volumes due to our highly competitive prices and improved reliability in meeting service expectations.”

- a. Please confirm whether the reduction in shipping durations described in the Postal Service’s Strategic plan cited above also includes First-Class Package Service.
- b. If question [PR/USPS-T3-5.a] is not confirmed, please explain.
- c. If question [PR/USPS-T3-5.a] is confirmed, please explain how the statement in the Postal Service’s Strategic Plan, *i.e.*, that there will be increased consumer demand for shorter shipping durations, is not contrary to Witness Foti’s testimony that First-Class Package Service volume is expected to be maintained despite increases to shipping durations under the proposed service standard changes.

RESPONSE:

- a. Confirmed.
- b. N/A.
- c. The two statements are not in conflict with each other. We expect that continued growth in e-commerce will drive increased shipment volumes in the overall parcel market across carriers, shipment sizes, and weights. We also expect a greater proportion of e-commerce shipping volume will be delivered in 2-days or less. As a result, shipments delivered in 3 or more days may represent a smaller proportion of the overall parcel market, but the aggregate volume of shipments delivered in 3 or more days will not necessarily decline.

Further, under the proposed changes, the reach of FCPS’s 2-day service standard will expand. Currently, approximately 20.6 percent of FCPS volumes receive a

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI
TO INTERROGATORIES OF THE PUBLIC REPRESENTATIVE**

2-day delivery service standard. Under the proposed changes, 25.4 percent of current FCPS volumes would receive a 2-day service standard, upgrading 4.8 percent of volumes to a 2-day service standard. Additionally, the proposed changes enable enhanced reliability and on-time performance at 95 percent.

We believe FCPS's compelling value proposition of fast, reliable delivery at very competitive prices will continue to resonate with lightweight shipping customers.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS FOTI
TO INTERVENOR STEVE HUTKINS' INTERROGATORIES**

SH/USPS-T3-1. Please refer to witness Foti's testimony at 5, lines 1-6: "Across shipping products, the top driver of shipping satisfaction for commercial shippers in FY 2020 is high reliability. According to external market research, the drivers of satisfaction with greatest importance for shippers are: 1) reliability, 2) offering the best end-to-end service; 3) delivering items to destination as fast as possible; 4) delivering packages on the exact day that I expect it; and 5) offering my business the tracking information we need to assist customers." Please confirm that this is the exact wording of the USPS Market Research & Insights, Q1 FY21, Brand Health Tracker — Shipping Services, which is cited in the footnotes. If not confirmed, please provide the exact wording.

RESPONSE:

Not confirmed.

The exact language for the top five drivers of satisfaction for commercial shippers in the Q1 FY21 Brand Health tracker – Shipping Services is as follows:

1. "Is reliable"
2. "Offers the best end-to-end service"
3. "Delivers items to destination as fast as possible"
4. "Always delivers packages on the exact day that I expect it"
5. "Offers my business the tracking information we need to assist customers"

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SH/USPS-T3-2. Please refer to witness Foti's testimony at 6, line 13: "We aim to achieve 95 percent on-time reliability." Given that the Postal Service is not required to report service performance for First-Class Package Service to the public or to the Commission, please explain how the Commission, mailers and the public will know if the Postal Service is achieving 95 percent on-time reliability.¹

RESPONSE:

FCPS shippers have the ability to monitor the on-time performance of their packages and are therefore able to track on-time reliability. Additionally, the Postal Service regularly monitors the performance alongside several of our commercial shippers to provide updates on on-time reliability. Further, to the extent that the Postal Service maintains goals for competitive products that include FCPS, the Postal Service files information regarding competitive products with the Postal Regulatory Commission as part of its nonpublic Annual Performance Plan and Performance Report. Lastly, there are third parties that publicly track and report the performance of our products, as well as our competitor's products.

¹ See Responses of the United States Postal Service to Chairman's Information Request No. 1 (December 15, 2014), Docket No. MC2015-7, Transferring First Class Parcels to the Competitive List, Question No. 2 (b), in which the Postal Service confirms that "the Postal Service is not required to measure or report service performance for First-Class Package Service to the public, or to the Commission."

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SH/USPS-T3-3. Please explain how non-public service performance scores can have any impact on (a) customer satisfaction, (b) a customer's sense of the "reliability" of First Class Package Services, and (c) a customer's decision-making process about whether or not to use First Class Package Services for a given mailing.

RESPONSE:

As described in the response to SH/USPS-T3-2, FCPS shippers will be able to discern improvements in the on-time performance reliability of FCPS through their firsthand shipping experiences, through regular conversation with the Postal Service, and/or through on-time performance scores collected and published by third parties. We expect the enhancements to FCPS' on-time performance will be evident to shippers through their experience with the product itself, and that these enhancements will positively impact their satisfaction, their perceptions of the reliability of FCPS, and their decision-making process about whether or not to use FCPS for a given mailing.

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SH/USPS-T3-4. If the Postal Service implements its plan to change service standards on First Class Package Services, mailers will know for certain that a significant portion of FCPS volume will be subject to slower delivery times. At the same time, they will be unable to know with any certainty just how “reliable” delivery will be in terms of performance scores. Isn’t it therefore likely that at least some mailers will choose to send their packages using another delivery service? If answered in the negative, please explain why such a scenario is not likely.

RESPONSE:

As described in the answers to SH/USPS-T3-2 and -3, FCPS customers will be able to discern improvements in the on-time performance reliability of FCPS through their firsthand shipping experiences, through regular conversation with the Postal Service, and / or through on-time performance scores collected and published by third parties.

To evaluate the impact of changes to FCPS service standards on current users of FCPS – Commercial, the Postal Service retained The Colography Group to conduct primary survey research titled the First-Class Package Service Transit Commitment Survey (“FTC Survey”). The results of the survey showed that the majority of sampled FCPS-Commercial shippers stated they would maintain or, in some cases, increase FCPS volumes with these proposed changes. Based on these results, we estimate that FCPS volumes will not be materially affected after the proposed changes to FCPS service standards are implemented. We believe FCPS’s compelling value proposition will continue to resonate with lightweight shipping customers.

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SH/USPS-T3-5. Please refer to witness Foti's testimony at 8, lines 6-12: "FTC Survey results show that the majority of sampled FCPS-Commercial shippers stated that they would maintain or, in some cases, increase FCPS volumes with these proposed changes.... Therefore, we expect that FCPS volumes will not be materially affected after the proposed changes to FCPS service standards are implemented." Did the Postal Service perform an analysis of the actual volumes that these Commercial shippers typically send in order to determine how much more volume the majority would send and how much less volume the minority might send? If so, please share the results of this analysis.

RESPONSE:

As part of the FTC Survey an analysis of respondents' current FCPS shipping volumes and their anticipated changes in FCPS volumes was conducted to estimate the overall impact the proposed changes to FCPS service standards would have on FCPS volumes. A detailed overview of this analysis and the FTC survey can be found in LR-N2021-2-NP3.

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13. Please refer to Witness Foti's Testimony on page 7, lines 17 through 18. Witness Foti states, "[First-Class Package Service Transit Commitment Survey (FTC Survey)] respondents most frequently cited price as the primary reason for using FCPS." USPS-T-3 at 7 (footnote omitted). Please also refer to Witness Foti's Testimony on page 8, lines 6 through 8. Witness Foti states, "FTC Survey results show that the majority of sampled FCPS-Commercial shippers stated they would maintain or, in some cases, increase FCPS volumes with these proposed changes." *Id.* at 8 (footnote omitted).
- a. Please confirm that the preferences of recipients of commercial FCPS can also impact the shipper's decision to use FCPS.
 - b. Please confirm whether you have done any research on the customer satisfaction of commercial FCPS recipients as a part of this proposal.
 - i. If confirmed, please direct the Commission to this research.
 - ii. If not confirmed, please explain why such research was not conducted.
 - c. Do you think that this proposal could cause some recipients to value FCPS services less? In other words, might this proposal cause recipients to substitute to other package services?
 - d. If the proposal lowered recipient demand for FCPS services, do you agree that commercial shippers FCPS volume would decrease, all else equal?
 - e. Could commercial shippers that answered the FTC Survey have neglected to consider or, at that time of the survey, had no research to consider how their recipients' demand for FCPS services may change after the proposal?
 - f. If commercial shippers did not consider recipient demand for FCPS services after the proposal (part e), and it is likely that recipient demand for FCPS services will decrease (part c) is it possible that volumes will decrease and those decreases would not be reflected in the FTC Survey (part d)?

RESPONSE:

- a. Confirmed.
- b. Not confirmed.
 - i. N/A

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ii. FCPS-Commercial shippers are the direct customers of the FCPS-Commercial product and make the final decision on which product or service to use for a given shipment. Thus, shippers who use FCPS-Commercial are the most relevant source of information on how the proposed changes to FCPS may affect their decision to use FCPS-Commercial and how their shipping decisions are made overall. While the preferences of recipients of FCPS-Commercial packages may be one factor that impacts a shipper's decision to use FCPS, there are numerous other factors that impact the decision of the shipper, including the size and contents of a shipment, the cost of shipping services, and ease of access, among others. The relative importance of these factors varies greatly between shippers and even between packages sent by a single shipper.

The results of the FTC Survey show that FCPS-Commercial shippers do consider the preferences of their end customers in their decision to use FCPS, as evidenced by the 37 percent of respondents who indicated that "customer-driven decision" (i.e., recipients) was the primary reason for using FCPS. As such, we believe that the results of the FTC Survey accurately estimate the impact of the proposed changes to FCPS, including the impact driven by the preferences of final package recipients.

c. Shippers, not recipients, make the ultimate decision to use FCPS for their shipping needs based on several factors. In many cases, recipients are not aware that they are utilizing FCPS services to receive their shipments. We believe that the proposed changes to FCPS will improve the overall quality of FCPS to both shippers and recipients. The proposed changes enable the Postal Service to achieve its 95

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percent on-time delivery target and will provide greater certainty of on-time delivery estimates to both shippers and recipients. As indicated in the Q1 FY2021 Brand Health Tracker, reliability is the most significant driver of shipping satisfaction for both consumers and business. While a small percentage of shippers may decrease their use of FCPS or stop using FCPS completely, as shown in the results of the FTC Survey, overall, we estimate that FCPS volumes will not be materially affected after the proposed changes to FCPS service standards are implemented. We believe FCPS's compelling value proposition of price, service, and access will continue to resonate with lightweight shipping customers.

d. As stated in the response to question 13.c., shippers, not recipients, make the ultimate decision to use FCPS for their shipping needs based on several factors. In many cases, recipients are not aware that they are utilizing FCPS services to receive their shipments. Numerous factors impact the shipping decisions of commercial shippers, such as the size and contents of a shipment, the cost of shipping services, recipient preferences, ease of access, and other factors. The relative importance of these factors varies greatly between shippers and even between packages sent by a single shipper. However, the results of the FTC Survey from a representative sample of FCPS-Commercial shippers indicate that, overall, FCPS volumes will not be significantly impacted by the proposed changes to FCPS service standards.

e. We have no reason to believe that FTC Survey respondents would have disregarded any important factor when responding to the FTC Survey, as we believe FCPS-Commercial shippers have a vested interest in the quality of their shipping decisions and are well-attuned to the needs and preferences of their end-customers.

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Further, as described in the answer to question 13.b.ii., 37 percent of FTC Survey respondents indicated that “customer-driven decision” (i.e., recipients) was the primary reason for using FCPS, showing that respondents to the FTC Survey did consider the preferences of their end-customers in responding to the survey.

f. As stated in the response to question 13.e., we believe that the surveyed FCPS-Commercial shippers did account for recipient demand in their responses. Further, as stated in question 13.c., we estimate that FCPS volumes will not be materially affected after the proposed changes to FCPS service standards are implemented. The results of the FTC Survey reflect the views of a representative and statistically significant sample of FCPS-Commercial shippers. As such, we have no reason to believe that the results of the FTC Survey do not accurately reflect the views of FCPS-Commercial shippers. We are confident in the results of the survey and believe that the surveyed shippers were well positioned to offer accurate responses regarding how the proposed changes to FCPS service standards would impact their usage of FCPS, including how the proposed changes might impact the preferences of the package recipients and how this would factor into the overall shipping decision.

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14. Please refer to the USPS-T-3 at 6-7 stating that “[t]o evaluate the impact of changes to FCPS service standards on current users of FCPS – Commercial, the Postal Service retained The Colography Group to conduct primary survey research titled the First-Class Package Service Transit Commitment Survey (‘FTC Survey’).”
- a. Please confirm that the FTC Survey does not survey users of FCPS-Retail. If not confirmed, please explain.
 - b. Did the Postal Service separately survey users of FCPS-Retail regarding the proposed changes?
 - i. If so, please identify that research.
 - ii. If not, please explain why not.

RESPONSE:

- a. Confirmed.
- b. The Postal Service did not separately survey users of FCPS-Retail regarding the proposed changes.
 - i. N/A
 - ii. The FCPS Transit Commitment Survey (“FTC Survey”) focused on evaluating the impact of changes to FCPS service standards on current users of FCPS-Commercial. The focus on FCPS-Commercial was selected because FCPS-Commercial comprises 91 percent of total FCPS volumes and therefore is the most significant segment in terms of evaluating the impact of the proposed FCPS changes on overall FCPS volumes.

Further, as described in the response to POIR No. 8, question 3.a., according to the Q1 FY21 Consumer and Commercial Brand Health Tracker (USPS-LR-N2021-2-NP18), the top driver of satisfaction for users of USPS shipping products is: “is reliable.” The proposed operational changes that drive

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these service standard changes will enable greater certainty to FCPS shippers – including FCPS-Retail shippers - of on-time delivery expectations. We expect that this improved clarity of delivery expectations and improved performance at meeting those expectations will improve customer satisfaction. Additionally, relative to other market alternatives, the entire FCPS value proposition of price, service, and access will continue to resonate for shippers using the FCPS-Retail product.

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15. Please refer to the Response to POIR No. 7, question 3,⁵ stating that “[w]e believe that modeling the impact of the proposed changes to FCPS service standards on this [marketplaces] market segment individually would not yield insightful, helpful market information given parcel market dynamics.” Please state whether the Postal Service has attempted to solicit feedback from discrete customer segments within the overall group of stakeholders.
- a. If so, please identify such customer segments.
 - b. If not, please explain why not.

RESPONSE:

The Postal Service did not separately solicit feedback from discrete customer segments. However, the Postal Service did engage in conversations with several key customers and managed accounts on the proposed changes submitted to the Postal Regulatory Commission.

- a. N/A
- b. The Postal Service did not solicit separate feedback from discrete market segments because, as stated in the response to POIR No. 7, question 3, we believe that doing so would be inappropriate given parcel market dynamics. Whether, and to what degree, the proposed changes impact each individual shipper requires an intensive inquiry unique to each shipper. Ultimately, each individual shipper makes its shipping decisions based on a variety of factors unique to their individual needs and the needs of their customers. As such, these needs may not be consistent across shippers in the same market segments. The Postal Service instead looked at the representative impact across customer segments for the best understanding of the overall impact on FCPS volumes of the proposed changes.

⁵ Responses of the United States Postal Service to Questions 1-5 of Presiding Officer's Information Request No. 7, July 29, 2021.

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16. Please identify any changes that the Postal Service has made to the proposal in response to stakeholder feedback.

RESPONSE:

The Postal Service has not made any changes to the proposal in response to stakeholder feedback at this point. However, the initial proposal submitted to the Postal Regulatory Commission incorporated market and customer insights to ensure the proposed changes maintained product competitiveness given latest market trends.

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17. As the date nears for the Postal Service to implement its proposal, how does the Postal Service plan to keep FCPS –users informed regarding the timing and impact of the proposed changes?
- a. Specifically, are there resources (such as websites and/or dedicated Postal Service business units) that FCPS users could monitor or contact to keep informed of when the Postal Service plans to implement its proposal?
- i. If so, please identify those resources and specify whether those resources are limited to commercial or retail users.
- ii. If not, please explain whether and when the Postal Service plans to develop such resources.

RESPONSE:

As the date nears for the proposed changes to FCPS to take effect, the Postal Service will ensure FCPS users are informed regarding the timing and impact of the proposed changes. This plan will utilize a diverse range of resources and tools, as described below in the response to question 17.a.

a. Yes, there are resources that FCPS users could monitor or contact to keep informed of when the Postal Service plans to implement its proposal.

i. The Postal Service will develop a communications plan to inform both commercial and retail shippers of the proposed changes to FCPS that may utilize some combination of the following resources:

- Industry Alert
- DMM Advisory/PC Weekly (for commercial only)
- Email messaging to Industry Leadership (for commercial only)
- USPS Service Alerts website
- PostalPro

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- Push messaging to Customer Care Centers for inclusion within interactive voice response (IVR) and agent interactions
- Sales and Business Service Network contacts with impacted customers (for commercial only)
- Retail Sales Associates to remind customers at the retail counters as transactions take place

In addition to the above, the Service Delivery Calculator (SDC) will be programmed with the new service standards so that the expected delivery date provided by systems (Postal Calculator, Product Tracking, RSS, etc.) will reflect the revised standards and provide accurate expected delivery date information for both FCPS-Commercial and FCPS-Retail users.

ii. N/A.

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18. Please refer to USPS-T-3 at 8, in which the Postal Service states that it “predict[s] a sustained...growth among local volumes.”
- a. Please provide any and all analyses, surveys, and other information that supports this prediction.
 - b. Does the Postal Service have any plans for outreach to existing or potential customers to facilitate dropshipping FCPS items nearer to the destination?
 - i. If so, please discuss that planned outreach and indicate if the Postal Service plans to include smaller- and/or medium-sized businesses that may not already dropship in those plans.
 - ii. If not, please explain why not.

RESPONSE:

- a. The abovementioned statement that the Postal Service “predict[s] a sustained... growth among local volumes” refers to an ongoing trend observed across the entire US parcel market. This trend is not specific to USPS’ First-Class Package Service volumes. The percentage of local FCPS volumes is dependent on many factors; if USPS package volumes grow with the overall US parcel market, then we would expect to see growth in all FCPS volumes, including local volumes.
- b. The Postal Service does not currently have plans for outreach to existing or potential customers to facilitate dropshipping FCPS items nearer to the destination as part of the FCPS product offering.
 - i. N/A
 - ii. The Postal Service continuously surveys the parcel market to detect evolving customer needs and market conditions. The Postal Service then determines the best way to respond to these customer needs through its existing portfolio of shipping products or through the introduction of new products. FCPS is a clearly

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defined, full-network product that does not offer dropshipping services. Other product solutions, including new solutions such as USPS Connect, could address the observed market trend of growth in local volumes.

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7. Please provide a public summary of the types of commercial shippers surveyed by the FCPS Transit Commitment Survey. In that public summary, please answer each of the following:
- a. Did the survey include a representative sample of smaller-sized businesses?
 - b. Did the survey include a representative sample of medium-sized businesses?
 - c. Did the survey include a representative sample of larger-sized businesses?
 - d. Did the survey include a representative sample of smaller-sized pharmaceutical shippers?
 - e. Did the survey include a representative sample of medium-sized pharmaceutical shippers?
 - f. Did the survey include a representative sample of larger-sized pharmaceutical shippers?

RESPONSE:

In the FTC survey, business size was determined by average daily FCPS volume shipped. The following table shows total sample counts for businesses that ship FCPS by industry and the percent distribution by average daily volume.

(CONTINUED BELOW)

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Industry	N =	Percent Distribution of Sample by Average Daily First-Class Package Service Volume			
		Small	Medium	Large	
		Fewer Than 20 Per Day	20 To 49 Per Day	50 To 99 Per Day	100+ Per Day
Retail/eCommerce	175	12%	41%	24%	23%
Manufacturing/Wholesale	103	16%	35%	17%	33%
Business, Professional and Personal Services	89	16%	42%	20%	22%
Healthcare/Pharmaceuticals	68	21%	44%	19%	16%
Financial Services	14	29%	29%	7%	36%
Other	9	22%	44%	11%	22%
Total	458	16%	40%	20%	24%

7.a. Yes, 16 percent of responses reflect businesses that ship fewer than 20 FCPS parcels per day.

7.b. Yes, 40 percent of responses reflect businesses that ship 20 to 49 FCPS parcels per day.

7.c. Yes, 44 percent of responses reflect businesses that ship 50+ FCPS parcels per day.

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7.d. Yes, 21 percent of healthcare / pharmaceutical responses reflect businesses that ship fewer than 20 FCPS parcels per day.

7.e. Yes, 44 percent of healthcare / pharmaceutical responses reflect businesses that ship 20 to 49 FCPS parcels per day.

7.f. Yes, 35 percent of healthcare / pharmaceutical responses reflect businesses that ship 50+ FCPS parcels per day.

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8. Did the Postal Service consider the impact of its proposal on smaller- and/or medium-sized businesses? If yes, please describe the projected impact. If no, please explain why not.

RESPONSE:

Yes, the Postal Service considered the impact of its proposal on all FCPS users, including small and medium businesses. In particular, the Postal Service retained The Colography Group to conduct the FTC Survey, which focused on users of FCPS-Commercial, including small- and medium-sized businesses. As evident in the response to POIR No. 12, question 7, small and medium businesses comprised 56 percent of the responses to the FTC Survey. The results of the FTC Survey are therefore inclusive of the expected impact on small and medium businesses, and show that the overall impact on commercial FCPS volumes will be relatively insignificant. The proposed changes to FCPS service standards will enable the Postal Service to achieve its stated goal of 95 percent on-time delivery reliability, driving increased clarity of delivery expectations and improved performance in meeting those expectations for all businesses, including small and medium businesses.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS OWENS TO
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(REDIRECTED FROM WITNESS HAGENSTEIN)**

9. Please discuss any future plans that the Postal Service may have to change the service standards of other mail products. Please include whether maintaining existing service standards of other mail products may cause the expected transportation cost savings to not be fully realized.

RESPONSE:

Aside from the service standard change proposal at issue in this proceeding, the Postal Service is considering changing the service standards of First-Class Mail and Periodicals as set forth in Docket No. N2021-1. The Postal Service Board of Governors has responsibility for reaching decisions on changes to all service standards. At this time, the Board of Governors has not decided to change or seek an advisory opinion regarding changes to any mail products other than those at issue in this proceeding and Docket No. N2021-1. Maintaining existing service standards of other mail products does not affect the Postal Service's financial analyses of the changes proposed here.

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(REDIRECTED FROM WITNESS FOTI)**

4. Please provide the price elasticities for the retail and commercial segments of FCPS. If these elasticities are routinely provided to the Commission, please identify the docket in which they were more recently filed, as well as the reference number.

RESPONSE:

I am informed that, currently, a single equation is estimated for all First-Class Parcels. I am further informed that, previously, separate elasticities for Retail and Commercial were estimated and provided to the Commission (under seal) in the January Demand Analysis filings through January of 2018 (January 19, 2018). Starting in the January 2019 Demand Analysis Filing and thereafter, the two have been combined, and there are no separate elasticity estimates to provide. More details are provided under seal as part of USPS-LR-N2021-2-NP15.

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5. Please discuss how retail and commercial FCPS differ in terms of customer sensitivity to changes in price. Please also discuss how often the Postal Service updates this model, and what changes to the model were made to reflect the product transfer to the Competitive product list. Please explain how retail and commercial FCPS compare in terms of attributable costs. In your response, please include an explanation of how any costs incurred by either the retail or the commercial category only (and not the other) would affect the cost profile. Please discuss what actions the Postal Service has undertaken to develop separate attributable costs, at the product level, for commercial and retail FCPS.

RESPONSE:

In terms of the first portion of this question relating to demand analysis, please see the response to question 4 of this Information Request, filed under seal as part of USPS-LR-N2021-2-NP15.

With respect to attributable costs, although no formal comparison of the unit attributable costs between retail and commercial FCPS was done in FY 2020, the expectation was that retail FCPS costs were greater than commercial FCPS costs primarily because a much larger proportion of retail FCPS volume encounters costly window transactions. As for cost differences in other major functions such as mail processing and transportation, there are some specific mail characteristics that likely result in material, but smaller, unit cost differences between the two categories. In mail processing, unit costs are likely lower for commercial FCPS because more pieces are bulk entered and have better labeling and address hygiene than retail FCPS. In purchased transportation, conversely, unit costs are likely higher for commercial FCPS because, on average, the pieces travel longer distances and are roughly 30 percent heavier,

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on a unit basis, than retail FCPS. My understanding is that the cost differences in mail processing and transportation are probably much smaller than those experienced in window service.

The Postal Service has not conducted a formal analysis to developing separate unit costs for commercial and retail FCPS since FY 2017, when First-Class Mail Parcels (hereafter retail FCPS) was its own Market Dominant product and its financials were reported on the Public Cost and Revenue Analysis (PCRA, USPS-FY17-1) report. In that year, retail FCPS had a unit attributable cost of \$2.51 compared to \$2.02 for commercial FCPS, a difference of \$0.49 between the two categories. Further inspection from FY 2017 shows the piggyback window costs for retail FCPS encompassed \$0.39 or roughly 16 percent of its total attributable costs. Starting in FY 2018, retail FCPS was shifted to a competitive product within FCPS. Since the products were combined, informal approximations have been done to disaggregate the unit attributable costs for retail and commercial FCPS, and typically those approximations merely have assumed that all window costs get assigned to retail FCPS.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS OWENS TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 8
(REDIRECTED FROM WITNESS HAGENSTEIN)**

2. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) states that “during the COVID-19 emergency, the Postal Service—(1) shall prioritize delivery of postal products for medical purposes.” Pub. L. No. 116-136 § 6001(c) (March 27, 2020).
- a. Please explain how the Postal Service adhered to this provision during FY 2020 through the present with regard to FCPS containing items sent for medical purposes.
 - b. Please explain how the Postal Service plans to adhere to this provision after implementing the proposed standards (if the COVID-19 emergency continues at that time) with regard to FCPS containing items sent for medical purposes.

RESPONSE:

- 2.a.** In response to a very similar question in Docket No. ACR2020, the Postal Service explained in detail its approach to adherence to this provision.
- Response to ChIR No. 6, Question 16 (February 4, 2021). That explanation pertains equally to the instant question. Briefly stated, starting in FY 2020 and continuing through the present, as part of our steadfast commitment to delivering medications throughout the nation, Postal Service management has continuously reviewed pharmaceutical package service performance to the best of our ability, and worked closely with all mail-order prescription mailers to improve overall service. In addition, weekly operational meetings were established with pharmaceutical mailers to provide updates on service conditions and process improvements. More fundamentally, as an organization, the Postal Service has undertaken efforts throughout all levels to ensure the timely processing, dispatching and delivery of pharmaceutical shipments. These efforts included, to the extent that personnel in the field had some

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tangible basis to view particular mail pieces as likely constituting a pharmaceutical shipment, attempts to expedite handling of such pieces.

- 2.b.** The Postal Service does not anticipate that implementation of FCPS service standard changes that are the subject of this proceeding would have any effect on the current practices employed to adhere to this provision. To the extent feasible, as described above, the Postal Service would continue to give priority to the delivery of postal products (including FCPS) for medical purposes. Moreover, the testimony of witness Hagenstein describes how, under the contemplated service standard changes, almost all pharmaceutical volume presently subject to a two-day service standard would remain as two-day; and a majority of pharmaceutical volume presently subject to a three-day service standard would remain as three-day. USPS-T-1 at 36-36.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS OWENS TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 12**

9. Please refer to Response to POIR No. 8, question 2.a., stating that the explanation provided in the February 4, 2021 response to Chairman's Information Request No. 6, question 16¹ "pertains equally to the instant question." The Postal Service indicates that its management holds weekly operational meetings to update pharmaceutical customers on service conditions and process improvements. See Docket No. ACR2020, February 4, 2021 Response to CHIR No. 6, question 16.e. Please confirm that these weekly operational meetings are planned to continue after the proposal is implemented.
- a. If confirmed, please also describe any additional Postal Service plans to keep FCPS pharmaceutical customers updated on service conditions and process improvements after the proposal is implemented.
 - b. If not confirmed, please explain and describe how the Postal Service plans to keep FCPS pharmaceutical customers updated on service conditions and process improvements after the proposal is implemented.

RESPONSE:

9. Confirmed.

9.a. While no additional updates beyond weekly operational meetings are planned, the Postal Service maintains regular communication and collaboration with related Pharmaceutical customers and field operations. Currently and going forward, additional communications are rendered on an as-needed basis in order to provide information or assist with service performance.

9.b. N/A.

¹ Docket No. ACR2020, Responses of the United States Postal Service to Questions 1-7, 10-20 of Chairman's Information Request No. 6, February 4, 2021, question 16 (Docket No. ACR2020, February 4, 2021 Response to CHIR No. 6).

CERTIFICATE

DOCKET NO.: N2021-2
CASE TITLE: FCPS Service Standard Changes, 2021
HEARING DATE: --
LOCATION: --

I certify that the foregoing is a true and correct transcript made to the best of our ability from a copy of the official electronic documents provided by the Postal Regulatory Commission.

Date: August 18, 2021



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